In his opening remarks, Chair Andrew Brimmer reminded the audience that jobs are created in response to the demand for labor, and that the demand for labor is derived from the demand for products and services. In other words, the job market is responsive to economic growth and unemployment is a lagging indicator. Dr. Brimmer asked the panel to address the issue of jobs in the context of the Obama administration programs and proposals.

On the housing issue, Dean Baker emphasized that the collapse of the eight trillion dollar housing bubble, even within a beautiful financial system, would have created a very severe recession. The housing boom was driving the economy both directly and indirectly. When the construction industry collapsed, about three percent of GDP was lost, as well as about six billion in housing bubble wealth-driven consumption. This loss guaranteed a recession. This horrible situation is the result of incredible economic mismanagement. Baker suggested that, as an alternative to foreclosure, people be allowed to stay in their homes as renters. This would have several benefits. It creates stability for neighborhoods, and makes foreclosure a much less attractive option for banks.

The Congressional Budget Office projects that the unemployment rate will stay over 10 percent in 2010, and fall slowly to 9.1 in 2011, and 7.3 percent in 2012. Dr. Baker asserted there are two ways to deal with the jobs issue. Firstly, increase demand through more stimulus activity. Secondly, have everyone work fewer hours; this could be accomplished by providing tax credits for employers. Germany has used this strategy and, even with a steeper recession than in the US, their unemployment rate has held steady. Seventeen states already have some version of shorter work week programs and these programs have kept about 150,000 people employed. There are simple solutions to our current problems; good governance would keep people in their homes and in their jobs.

Gary Dymski discussed both immediate and long-term structural problems. Short-term problems include job losses, foreclosures, and housing deterioration. Americans are facing a triple whammy: they have lost jobs, located far from homes they can no longer afford, and cities and states are cutting back on public services. These problems are a formula for indefinite stagnation, absent proactive leadership.

Dr. Dymski presented twelve specific proposals for resolving the housing crisis:
1. In addition to mortgage assistance (Home Affordable Modification Program, or HAMP), principal reduction should be adopted.
2. A home mortgage disclosure act to require data reporting for loan modifications will shed light on problems including fair lending problems.
3. Make it easier for owner occupants to buy real-estate-owned (REO) properties.
4. Tenants are innocent victims. Banks must respect federal, state and local tenant protections, and at a minimum give tenants in REO properties the option of renting there, so properties don’t sit vacant.
5. A large expansion in vouchers for affordable housing for lower-income households under the United States’ Housing Choice Voucher (Section 8) program should be approved.
6. Home properties held off the market by banks for more than 60 days should be registered and used in the Housing Choice Voucher Program.
7. A planning and construction initiative be undertaken to increase the supply of housing for lower-income people, to end homelessness.
8. A national Housing-for-America program should be developed, drawing on (and learning from) the Teach-for-America and VISTA programs.
9. One focus of these housing construction efforts should be re-engineering of existing, unoccupied homes.
10. One special challenge with this area is widespread NIMBY (not-in-my-backyard) dynamics. These can block those who have lost housing from regaining it. The government should experiment with incentives to persuade localities to accept Housing-for-America projects and more lower-income housing.
11. Banks are heavily subsidized and supported by the taxpayer public. In exchange, they should meet the credit and banking needs of their entire market areas, not just those of their upscale customers.
12. Finally, as emphasized above, housing fixes are not enough. People need income to maintain their homes, and that means attacking the jobs famine directly, as well as through housing-construction initiatives.

Sherle Schwenninger opened by saying that jobs and job creation are essential to moving forward in the housing crisis. Mr. Schwenninger outlined why the Obama administration has fallen short on job creation.

The first problem was the already broken private sector job machine. This must be taken into account when designing an appropriate response program.

Secondly, the combined effect of the three trillion dollar expansion of the Fed balance sheet, and the economic recovery program of $787 billion, had a disproportionate result – namely, reflation of the pre-crisis jobless economy. We failed to rebuild a job-creating economy.

Thirdly, a lot of the recovery has gone to general demand support, which may create jobs in a 15-20 year time frame. We have under-invested in the more specific demand sectors that would have created more immediate jobs.

Mr. Schwenninger made three recommendations:
1. The private sector job machine is limited, so public sector employment must play a bigger role in the future;
2. We must encourage new sectors of the economy, which will require specific demand-oriented programs, and a major public infrastructure and investment program to jump-start private sector job creation; and
3. We have to think about the supply side (even if this is uncomfortable for liberals and progressives). We need to complement demand creation and public sector employment with payroll tax cuts and corporate income tax cuts to make it more attractive for businesses to create jobs here in the US, as opposed to going offshore.