

**Mitchell's Musings, First Quarter of 2015,
for employmentpolicy.org**

**[EPRN, Employment Policy Research
Network]**

Mitchell's Musings 1-5-15: Not Just a Chinese Problem

Daniel J.B. Mitchell

When complaints are heard about currency exchange rate manipulation, the focus is usually on China. But if you went back in time, say back to the 1980s, you would have heard the same complaints about Japan. The fact is that for various reasons, the world has long tended to view the U.S. as a remedy for local concerns about employment and growth. Need more jobs; just export more to the U.S. and import less from the U.S.

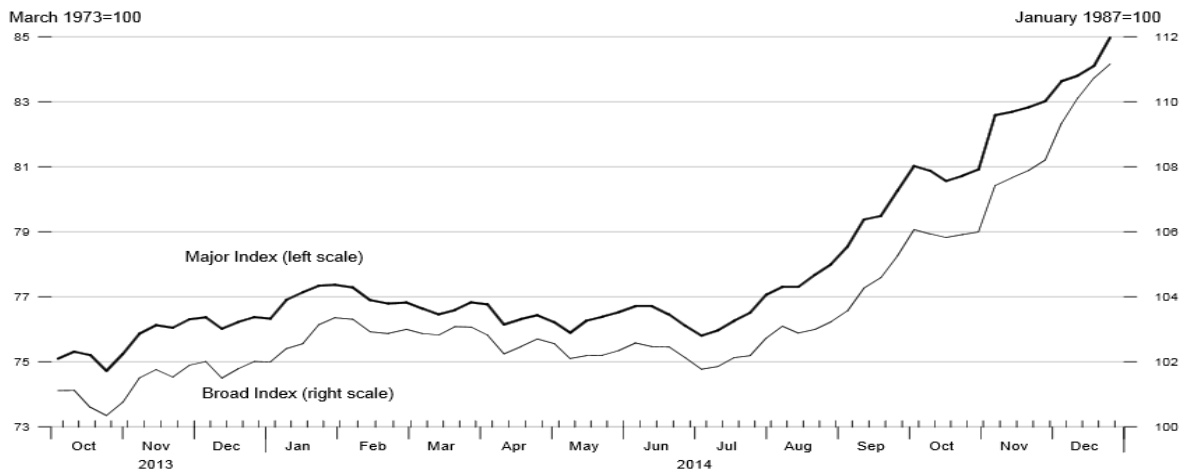
The impact on the U.S. from being the stimulus of last resort varies with the condition of the American economy. When the U.S. has a soft economy, the result is fewer jobs here; the counterpart of more jobs there. When the U.S. is closer to full employment, the impact here is more on the *type* of jobs than on the *number* of jobs.

Right now, the European economy isn't doing particularly well, nor is Japan's. So what do we see? As the charts below and on the next page show, the dollar is rising in value relative to a weighted average of world currencies.¹ And the currencies particularly responsible now are the euro and the yen. It's not China this time around.

Trade-Weighted Exchange Rate Indexes

Averages of Daily Figures

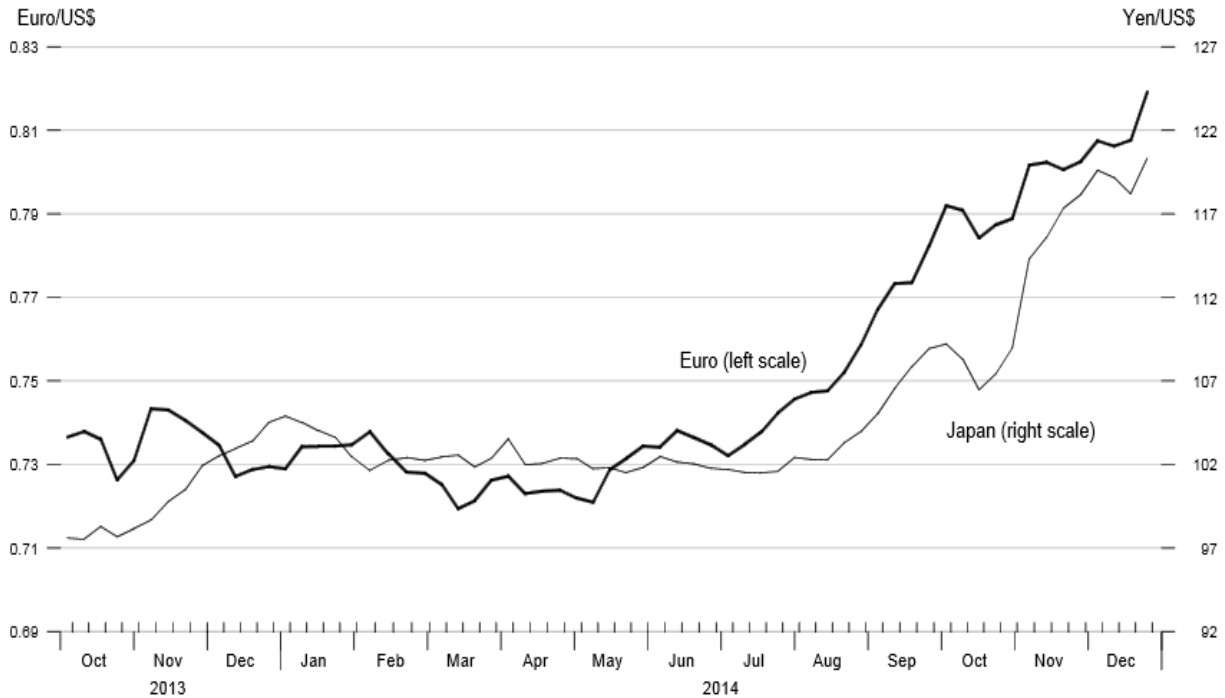
March 1973=100



¹<http://research.stlouisfed.org/publications/usfd/20141231/usfd.pdf>

Exchange Rates

Averages of Daily Figures



A key sector in the U.S. that is affected by exchange rates is manufacturing. Even if the U.S. economy is doing well, an exchange rate appreciation of the dollar tends to weaken that sector. In some cases, the damage is permanent. You can't turn a steel mill on and off. Once off, it tends to stay off. Deindustrialization is much easier than industrialization.

One of the oddities of American politics is the dissolution of the old Roosevelt/New Deal voting coalition. Democrats nowadays keep wondering why they have lost support among white blue-collar workers. Don't they understand their self-economic interests? You have only to look at the shrinkage of manufacturing jobs to find the answer. Neither party wants to address the manufacturing jobs issue beyond vague statements about favoring education and training. Democrats make invocations of new techy products, e.g., solar panels, but new products, just as old ones, are importantly affected by the exchange rate. Republicans – who don't like "picking winners" – tend to use non-economic "social" issues to hold on to the white, blue-collar vote. Since neither party is effectively addressing the economic issue, those self-interests the Democrats puzzle over, the social concerns are what's left over.

There is the old adage that the definition of madness is doing the same thing over and over again and expecting a different result. But the adage works in reverse. *Avoiding* doing something over and over again and expecting a different result is also crazy. In this case, the U.S. avoids the exchange rate issue and has for decades, regardless of which party is in control. The only consistent economic result has been a chronic imbalance of U.S. imports relative to exports (particularly a burden on manufacturing) and the emergence of a resulting massive debt by the U.S. to the rest of the world. The only consistent political result has been the continued dissolution of the old New Deal coalition.

As we have noted in previous Mitchell's Musings, there are things that could be done about the exchange rate and the tendency of various countries, not just China, to see the U.S. as the jobs stimulus package of last resort. We have noted in particular that there are things that could be done that don't single out particular countries as villains. We have noted the suggestion of financier Warren Buffett – made back in 1987! – that the U.S. could reward exporters with \$1 import entitlement vouchers for each \$1 of exports and require importers to have them. Such a cap-and-trade program would ensure a zero trade balance, stop the growth of U.S. debt to the world, and end practices abroad of exchange manipulation.²

Undoubtedly, you can see complications in the Buffett solution, administrative and diplomatic. Perhaps you would like to argue about secondary effects of the Buffett plan or about relative saving rates in the U.S. and abroad. But have you got a better plan? An alternative proposal? Or do you propose not doing the same thing over and over again and expecting a different result

²https://docs.google.com/document/d/1SFilSDsdphrQS0Q_x0mREd7kHuliVbKNSrni1MRBCwE/edit

Mitchell's Musings: 1-12-15: Friendly or Unfriendly Persuasion (Or Something Else)

Daniel J.B. Mitchell

Back in 1978-79, I was at the Brookings Institution on leave from UCLA. At that time, several years after the Nixon-in-China episode, (mainland) China was emerging from the Mao/Red Guard era and opening up to the west. But the process was at an early stage. A delegation from China came to Brookings, ostensibly to investigate how western think-tanks operate. A group from Brookings (including yours truly) met with the delegation in a conference room.

During the interaction, it occurred to me – based on the ensuing discussion – that the stated purpose and the actual purpose of the delegation's visit were not the same. In fact, the Chinese delegation seemed to be talking more to themselves than to us. They seemed to be engaged in a kind of self-expression – some might even say a kind of therapy – relating to having emerged from the trauma of the Mao/Red Guard period. We were more of an audience than a source of information. Nonetheless, we seemed to have a purpose; apparently the self-expression could not take place without face-to-face contact with an outside audience.

In more recent times, it has struck me that the same type of dynamic seems to occur with regard to protests and demonstrations related to contemporary social and political issues. Inherently, protesting by yourself or demonstrating by yourself alone and without any audience cannot accomplish anything. Whoever you are ostensibly trying to persuade won't be aware of your protest in such a circumstance. So there has to be an audience to provide some justification. But the question is whether you are really trying to persuade that audience or – as in the case of the Chinese delegation – you are engaged in some form of more personal self-expression.

For purposes of a blog I do for the UCLA Faculty Association, I watch (and record) live-streamed meetings of the University of California Regents. There is always a public comments period at such meetings. It is most frequently taken up by individuals who have some complaint about existing university policy or some proposal they want adopted. But I often have a sense – based on the conduct of those talking – that the speakers are conducting the exercise as part of

some personal self-expression rather than to persuade the Regents of their viewpoint or to achieve a change in policy. Indeed, one wonders whether changing policy is even the goal or whether the act of protesting is the goal. It's not even a question of the ends justifying the means. The means are the end and the justification.

It's largely a matter of tone. Yelling, demanding, denouncing, insulting, or following such conduct with a demonstration that temporarily disrupts the meeting (often ending in having police clear the room) doesn't seem to be an effort in persuasion. Sometimes, when done by unions represented at the university, the objective may be an attempt by leaders to show members they are doing something; perhaps the energized membership will then become more supportive of the leadership. So there may be a rationale in such cases that has more to do with internal organizational politics and perhaps indirectly a link to contract goal achievements. In those cases, motivating the membership may be the goal with the Regents as bystanders.

In other cases, however, the conduct seems to be pure self-expression without a goal of persuasion. If the desired end is simply self-expression, the fact that the approach is ineffective (or possibly counter-productive) at persuasion is irrelevant. Accomplishing a goal is not really an expected outcome. The real goal is therapeutic and cathartic.

But you don't have to go to public meetings to observe this phenomenon. A friend of mine with a Facebook account reported that an acquaintance of hers kept using the system to send her political articles and messages she had no interest in receiving. But the sending continued despite a request to stop. The fact that most folks go on Facebook expecting baby photos and travel pictures from friends didn't matter to the sender. Apparently, the self-expression need of the sender was greater than a need to persuade. (She eventually de-friended the sender.)

My impression is that there is more therapeutic self-expression and less persuasion going on these days regarding the political and social issues of the day, both in public (e.g., those Regents meetings) and personal (e.g., the Facebook example) than there used to be. I may be wrong, of course; perhaps some of the 1960s protests were similar instances of a therapeutic purpose. If

that is the case, you can view this musing as obviously unpersuasive and just an example of pure self-expression.

Mitchell's Musings 1-19-15: When Transparency is Opaque

Daniel J.B. Mitchell

From time to time, these musings are devoted to the foibles of state and local government and their budgetary practices. The date of this musing falls on Martin Luther King Day. At the 1963 March on Washington, King famously said he had a dream about a future of racial equality. My dream is much more modest. Perhaps someday – in some far distant future – we will adopt consistent language about state and local fiscal practice so that better public policy can be made and that budget crises can be avoided.

It is common nowadays to propose “transparency” as a solution to many problems. But when it comes to state and local budgeting, merely putting official budget documents online for all to see doesn't seem to be a panacea. If there are no clear definitions of what is meant by such terms as “surplus,” “deficit,” and “balance,” having documents online leaves fiscal conditions opaque. And if the news media do not insist on consistent use of such terms, opaqueness will be the rule.

In my home state of California, for example, you can easily find online the official budget proposal of the governor along with a live stream and video archive of his budget news conference. Budget analyses by the nonpartisan Legislative Analyst's Office are available, too. And yet public understanding is limited.

Let's consider the current budget for California – not the one recently proposed for the next fiscal year starting July 1, 2015 – but the one we are living under right now. The current fiscal year – 2014-15 – was widely heralded as having finally allowed California confidently to leave behind the budget crisis that emerged as a consequence of the Great Recession. The governor in 2012 got voters to approve Proposition 30 which raised income and sales taxes on a temporary basis. Moreover, the general economy was improving, thus adding more tax revenue to the state treasury.

In November 2014, the governor put on the ballot Proposition 2 which by formula put money into a rainy day fund. Voters approved the measure so California now has two reserves: the regular reserve in the General Fund and the rainy day fund. The 2014-15 budget already added some funding to the rainy day reserve, even before voters endorsed the concept. So for this current year, is California in a “surplus” or a “deficit”? Or can we say the budget is “balanced”? Surely, given the public assurances that our fiscal problems are behind us (as long as we remain prudent – as the governor periodically reminds Californians), we must be in surplus or at least balance.

Of course, terms such as surplus, deficit, and balance must be defined. It's likely, however, that most folks think of those terms in the way they are used at the federal level. A surplus in federal usage means that more revenue is coming into the treasury than is going out. A deficit means the opposite. And balance means revenue = spending.

So what happens if we were to apply that usage to California's general fund budget for the current year? In his early January 2015 budget proposal for next fiscal year (2015-16), the governor included updated estimates for the current year, the one that is now more than half completed. What were those estimates?

According to the official figures which are readily and transparently available on the Internet, we began the fiscal year on July 1, 2014 with \$5.1 billion in the General Fund reserve. No money was yet put into the rainy day reserve. So the total starting reserve (combination of the two reserves) was also \$5.1 billion. Revenue for the full year (including a starting \$1.6 billion contribution or diversion into the rainy day reserve) was projected to be \$109.6 billion. Expenditures were forecast to be \$111.7 billion. Since expenditures are projected to exceed revenue (\$111.7 billion > \$109.6 billion) by \$2.1 billion, in federal terms the forecast for this year is a deficit of that amount. As a result, the combined regular plus rainy day reserve is projected to fall by \$2.1 billion from the starting \$5.1 billion to \$3.0 billion. [\$5.1 billion - \$2.1 billion = \$3.0 billion.]

Now one could argue that we should adjust the \$2.1 billion deficit downwards because the current-year budget includes some prepayment of past debt. But even if you were to make that adjustment, you would still come out with a small deficit. All of these figures are transparently on the web. Yet I have seen no mention of them in the news media which dutifully reported the official line that the corner has been turned on California's chronic fiscal difficulties.

It is true that the same documents project a small surplus (revenue > expenditures) for the coming year (2015-16). And since the sum of the two reserves (regular + rainy day) is positive for this year, there is no crisis. We certainly will not end up this year issuing IOUs instead of paying all bills as occurred in 2009. Still, numbers are numbers and we have a deficit as of now as that term is used in common parlance. It's an open secret we have a deficit – since the numbers are transparently on the web – but a secret nonetheless.

Why is it a secret? The fact is that even with documents on the web, most people are not policy wonks and don't go to those documents. (And if they did, although the numbers are there, the word "deficit"

doesn't appear in the documents; readers would have to work out the consequences.) To the extent that such information might trickle out, it would have to be through the news media. But the reports in the news media don't present the simple analysis made above.

In short, fiscal transparency as a concept is fine. But if the news media simply report official interpretations, the budget will remain opaque to the public. Why is there a lack of critical reporting? I suspect it is partly because some reporters don't actually look at the budget documents and simply report what officials say about the budget. If there is no immediate crisis, no IOUs, no dramatic conflicts, even a little digging isn't worth the effort. Other reporters focus on the details, e.g., on how much public schools will receive this year compared to last year, and thus miss the big picture.

Be that that as it may, I have a dream that one day things will be different.

Mitchell's Musings 1-26-15: Have We Forgotten Negotiations?

Daniel J.B. Mitchell

The latest Bureau of Labor Statistics media release on unionization was recently released. It shows the union representation rate down from 11.3% in 2013 to 11.1% last year. The private sector rate was down from an already paltry 7.5% to 7.4%.³ Rather than focus on the significance of the long-term decline of unionization for the labor market, it struck me that - as a byproduct of the downward trend - folks have forgotten about negotiating more generally. Yes, I know. You can cite all kinds of negotiations that go on apart from traditional union-management negotiations. Buyers haggle every day with car dealers over the price, etc. Professional athletes and movie stars (or their agents) negotiate their pay. In many higher level occupations, there is significant negotiating over pay and conditions.

However, there used to be very prominent labor negotiations regularly in the news. Strikes in particular focused attention on the negotiation process because of the drama of conflict involved. Traditional labor disputes still occur, but at much lower frequencies than was once the case. We don't yet have the data for 2014. However, in 2013, BLS reported only 15 "major" stoppages (where major means 1,000 or more workers were involved). You have to go back to the early 1980s to find a year where there were more than 100 such stoppages. In the 1970s, the annual totals varied from 219 to 424.⁴

It is sometimes said that familiarity breeds contempt. But it can also breed knowledge. My sense is that when events occur nowadays (apart from those in the remaining union sector), folks - including news reporters - often don't think about them as negotiations. Let me take an example. I have no inside information on presidential thinking. But I did hear these words in President Obama's recent State of the Union address:

Twenty-first century businesses need 21st century infrastructure: modern ports, and stronger bridges, faster trains and the fastest Internet.

(APPLAUSE)

Democrats and Republicans used to agree on this. So let's set our sights higher than a single oil pipeline; let's pass a bipartisan...

(APPLAUSE)

...infrastructure plan that could create more than 30 times as many jobs per year and make this country stronger for decades to come.

Let's do it. Let's get it done.

(APPLAUSE)

³<http://www.bls.gov/news.release/union2.htm>

⁴http://www.bls.gov/news.release/archives/wkstp_02122014.htm

*Let's get it done.*⁵ [Underline added.]

The reference to an oil pipeline was understood by the audience and the news media to refer to the proposed Keystone pipeline which has now taken on symbolism so that Republicans are generally in favor of it and Democrats are against it. Obama's remarks were generally interpreted to mean that he was saying that he was against building the pipeline. But a literal reading of the remarks doesn't say that. If you think about the matter from a negotiations viewpoint, you might well interpret the statement to mean that "you Republicans want a pipeline and I want a wider deal on infrastructure, so maybe we can negotiate something that would include the pipeline but also include other projects." Again, I have no inside knowledge as to whether that was what was meant and no knowledge of the merits or demerits of pipelines. But since I think from a negotiating framework, I can say with authority that the interpretation above is what I immediately thought.

Let me take another situation closer to home (for me) and about which I do know something. The University of California (UC) suffered budget cuts during the Great Recession and its aftermath as part of the California state budget crisis. Governor Jerry Brown was elected in 2010 and eventually put on the ballot a proposition that raised taxes on a temporary basis. The university received some gains as a result, but less funding than the Board of Regents had hoped to obtain. For a couple of years, the university went along with a demand of the governor that it freeze tuition in exchange for his schedule of annual increases. It never signed off on a formal deal; it just went along, year by year.

The Board hired a former governor of Arizona, Janet Napolitano, as the UC president with the thought that political expertise was needed to deal with the funding situation. She subsequently got the Board to propose a schedule of tuition hikes along with the governor's annual funding increases. That is, the Board wanted the state money without any tuition freeze. Its proposal contained both tuition increases and funding increases in opposition to Governor Brown's wishes. If the governor wanted a tuition freeze, according to Napolitano, he would have to buy out the scheduled tuition hikes with still more state funding.

Commentary on the Napolitano/Regents plan assumed that the proposal was a bottom line position. Take it or leave it. That is, it often didn't view the proposal as a starting demand in a negotiations process. Yet, if you were to view the proposal as a starting demand, you wouldn't assume that the bottom line for Napolitano/Regents is the formal demand. One commentator who did view the demand as part of a negotiation was a former Berkeley chancellor. But he wrote an op ed indicating that there would eventually be a compromise between Napolitano and Brown and laid out what that compromise might be.⁶

There is a problem with such an op ed, however, if you think in negotiating terms. Folks in Governor Brown's office might well assume that the former Berkeley chancellor has some inside information

⁵http://www.washingtonpost.com/politics/transcript-state-of-the-union-address-2015-remarks-as-prepared-for-delivery/2015/01/20/fd803c4c-a0ef-11e4-b146-577832eafcb4_story.html

⁶The *Los Angeles Times* asked various individuals to prognosticate about things that would happen in 2015. The former Berkeley chancellor included his view of the eventual deal in his segment. You can find the commentary at <http://www.latimes.com/opinion/op-ed/la-oe-0101-predictions-20150101-story.html>.

concerning what Napolitano is actually seeking. He isn't some random outsider expressing a viewpoint, but rather a former high level person within the university administrative set up. They might even assume he was acting as an official leaker. So making such statements in a public forum potentially undermined the Napolitano/Regents position – again, if you think in negotiations terms.

Of course, I have no way to prove that the lack of frequent and prominent labor negotiations nowadays has tended to reduce general understanding of what a negotiation means and entails. But I am not the only one to whom the thought that the decline in union-management relations in the US has an effect beyond such traditional labor market measures such as pay levels. The thought has occurred to others.

I recently attended a talk by Judge Marsha Berzon of the US ninth circuit court of appeals.⁷ Her talk dealt with the decisions of the former Supreme Court Justice William J. Brennan, Jr. The theme of her talk was that Brennan, because of his personal and legal background, had an understanding of labor and the workplace more generally, an understanding that is now lacking in the judiciary. There are fewer union workers and therefore fewer labor-management cases coming up before judges. Judges are thus less likely to have a background in the field based on legal experience or personal background.

You could argue that the loss of a negotiating viewpoint outside the specific union-management context is perhaps of interest as an academic matter but not especially important. However, there has been much attention to political polarization in Congress, legislatures, and elsewhere and much lamenting over an inability to compromise. There are undoubtedly deep underlying reasons for such political gridlock. But if folks (news reporters or gridlocked politicians themselves) can't recognize a negotiating situation when one occurs, that failure surely doesn't help achieve a compromise solution.

⁷The talk was sponsored by the Los Angeles County Bar Association Labor and Employment Law Section and the UCLA Institute for Research on Labor and Employment as the latest of the annual Benjamin Aaron lecture sponsored by the latter

Mitchell's Musings 2-2-2015: Why We Write

Daniel J.B. Mitchell

As readers of this blog may know, each winter quarter I co-teach an undergraduate course with Michael Dukakis on California Policy Issues. As part of that course, students must select a California-oriented topic from a menu of choices and produce a written report. Given the time frame provided in the course, they have essentially six weeks to complete the assignment. In the second week of the course, students must select their topic. In the fourth week, they must submit an outline of the report. They then receive emailed comments from the instructors on the outline. In the sixth week, they must submit a draft of the report – and again receive emailed comments. In the eighth week, the final report is due. There are detailed requirements concerning the structure of the report which must be followed. Apart from the individual report assignment, students are organized into teams that produce both a written report and an oral presentation, again in a highly structured format.

Although the course is primarily devoted to the subject matter of its title – California Policy Issues – about an hour in the second week is devoted to how to write a professional report and how to make an oral presentation of such a report. The latest version of that lecture can be found online as a streamed video or a download at <https://archive.org/details/10bwriting20151>.

Academics often complain about undergraduate writing. But in California, it seems to be a special problem. I rather doubt that the problem is captured by standardized testing in the K-12 system, particularly if the test is of the usual multiple-choice variety. Indeed, emphasis on such check-the-box tests – to the detriment of writing – may be part of the problem. The chief concern is that there isn't enough writing going on in K-12, at least in California schools.

In principle, someone is supposed to make up for the problem early on in college – but it doesn't seem to happen. My co-instructor tells me that at Northeastern University, where he teaches in the fall and spring, undergraduate writing is notably better although Northeastern's student body has many undergraduates who are the first in their families to go to college. So the problem seems especially acute in California. But I suspect it exists in varying degrees elsewhere.

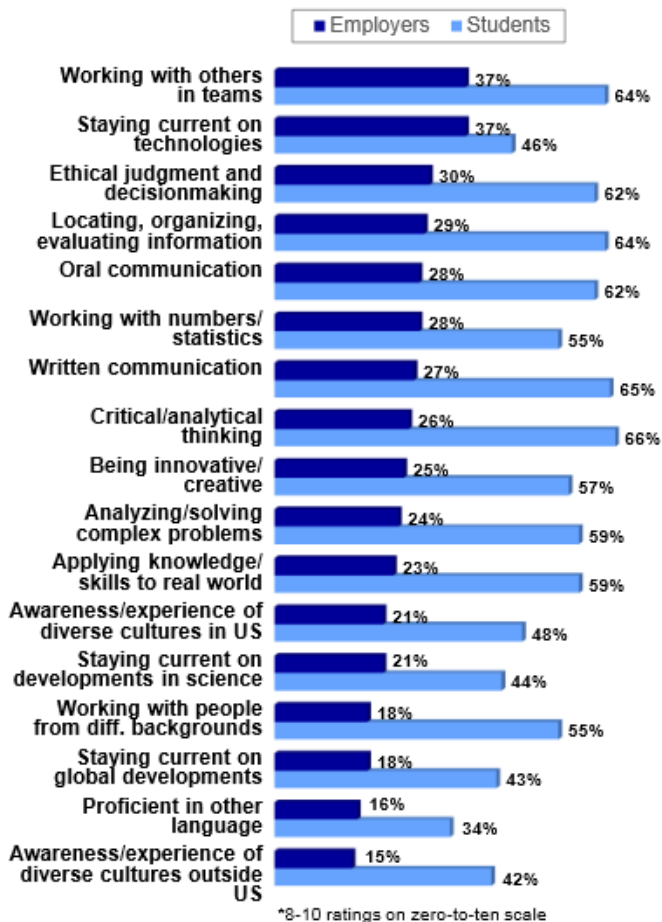
Writing and presenting are generic job skills, regardless of field or occupation. Despite all the rhetoric about how the workforce of the future will need more higher education, emphasis on these basic communications skills seems to be a low priority. When writing is taught at the college level, there

appears to be an emphasis on details such as how to make a footnote that follows some style manual rather than how to write to put your message across. Stand-up presenting is even less emphasized. And the current solution *de jour* to all problems of higher ed – online education – is unlikely to help. Online ed is more likely to hurt, in fact, since it’s hard to do writing or presenting in that format.

There have been surveys from time to time that indicate that employers value writing, communications, and team participation as important job skills. A recent such study sponsored by Association of American Colleges and Universities finds such skills to be important *and* also finds that students are more likely to think they have those skills than employers do, as the chart below suggests.⁸

Employers give college graduates low scores for preparedness across learning outcomes; students think they are better prepared.

Proportions saying they/recent college graduates are well prepared in each area*



⁸<http://www.aacu.org/sites/default/files/files/LEAP/2015employerstudentsurvey.pdf>.

Presumably, addressing the employer-student discrepancy should be a major priority of college administrators. But there is little sign of that happening. Perhaps the problem is an embarrassment. All the more reason to address it.

If the news media put more emphasis on the issue, that publicity might in turn lead to greater attention by those administrators. Sadly, however, to the extent that such matters arise in the news media, they fall victim to an irrelevant debate. Recently, for example, there has been a tempest in the media about something called “vocal fry” that, supposedly, young women exhibit in speaking. I have to confess to not hearing this phenomenon, but you can see if you can hear it at this link:

<http://www.today.com/video/today/45681253#45681253>

Let’s assume for a moment that the phenomenon exists and that it sounds odd to *some* people. If so, it would be a phenomenon similar to “uptalk” which we do urge students to drop in the one-hour class presentation. The debate in the news media on vocal fry – whatever it is – has quickly degenerated into a discussion of whether this concern over a speaking pattern is just a form of intergenerational conflict:

http://www.slate.com/blogs/xx_factor/2013/01/07/vocal_fry_and_valley_girls_why_old_men_find_young_women_s_voices_so_annoying.html

Obviously, all languages are arbitrary and are the products of historical accident. Obviously, all languages change over time so different generations will have different styles. But the immediate problem for students is to be aware that how they write or present becomes a problem if it distracts from the message they are trying to deliver. If the folks it distracts belong to an older generation, so what? Do you want to deliver your message effectively or do you want some fraction of the audience to be diverted from your point by your writing or speaking? Note that in a one-on-one job interview or an application, the fraction diverted might be 100%. Put that way, there really is nothing to debate.

In short, colleges and universities need to spend more effort upgrading and coaching the speaking and writing of their graduates than they do. You and me can, like, totally agree on that, you know?

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Mitchell's Musings 2-9-14: Sounds Good But...

Daniel J.B. Mitchell

There has been much concern in the last few years about an obesity epidemic among young, school-age children. Of course, there is concern also about obesity in adults, but the worry about children is that they will be unable to break bad habits that lead to obesity if not corrected early.

I recently came across an article about a California court settlement that is said to ensure that elementary school children in the state receive the amount of physical education (PE) required by state law. The article begins:

As schools tout the importance of exercise in an era of childhood obesity, a California parent and his lawyer have agreed to a settlement with dozens of districts across California that will force elementary schools to prove they are providing at least the minimum amount of physical education required by state law...⁹

Sounds good, right? Kids will exercise and lose weight. The article goes on to say that because school teachers are nowadays especially concerned about how their students do on standardized academic tests, they may neglect to provide the requisite number of minutes of PE. So there appear to be two premises at the basis of the lawsuit. 1) PE time will address the obesity issue. 2) Teachers are overemphasizing academics due to testing and thus underemphasizing PE.

Despite the feel good nature of the reported litigation result, it set me to wondering. Is it possible that teachers' priority – whether caused in part by testing or not – might be correct? After all, it is possible for children to have physical activity outside of the school setting. Of course, it is also possible to have outside intellectual activity. But I suspect that schools have a greater advantage in academics than in PE. One of the premises of international trade theory is

⁹<http://edsource.org/2015/lawsuit-agreement-to-force-schools-to-provide-physical-education/73544#.VM-OLMYfku0>

that what matters in exchange is *relative* advantage. On that basis, even if schools have better facilities for both academics and PE than parents, given the limited resources (essentially time and money available), in a constrained environment it may be better to favor academics at school and PE at home.

You may not be impressed with that argument. Too abstract! Too many yes, buts! But how about this one? At the UCLA Luskin School of Public Policy (where I teach part time after retirement), MPP (Master of Public Policy) students are required to do team projects in their second year which mainly involve consulting with an agency or nonprofit. One such team did a study for the Los Angeles County Department of Public Health, an agency which was interested in encouraging PE in local schools as a way to address obesity.

The team's report was condensed and edited into a chapter for an annual volume I edit for the School entitled *California Policy Options*. You can find the chapter online in the 2014 edition (chapter 5).¹⁰ Its findings are essentially that the schools the team looked at generally *did* meet state requirements for PE time (or came close). More importantly, the team reviewed the literature and spoke to nutrition experts. It appears that the number of calories that children can realistically burn off with PE is small. If you want to address obesity, the emphasis should be on diet.

There was also some concern that obese children – because their obesity hinders their ability to undertake PE exercises – become embarrassed and discouraged. In short, there could be an inadvertent and negative consequence of a focus on the quantity of PE minutes. So if PE is to be encouraged in schools, the focus shouldn't be on obesity which is not well addressed by state-mandated minutes of instruction. What matters – not so much for obesity but instead for other health reasons – is creating quality PE programs in which obese children can participate with success. Even if they don't lose weight, they will be better off with exercise – if it is tailored to their needs and not just defined in requisite minutes.

¹⁰<http://issuu.com/uclapubaffairs/docs/californiapolicyoptions2014> [pp. 119-131]

What's the bottom line here? In recent years, there has been much rhetoric about evidence-based public policy. It's unlikely that requirements for state-mandated PE minutes were developed on the basis of careful studies of what might be best, particularly in the context of obesity. Of course, it is hard to argue that schools should be free simply to ignore legal requirements. And, as noted above, the court decision surely sounds good, particularly if you don't have much information about calories burned by PE. However, if I rephrased the question as one of the efficacy of setting curriculum standards via court decisions, the outcome doesn't sound quite so good.

Mitchell's Musings 2-16-15: Expectant Economists

Daniel J.B. Mitchell

I typed into Google the words “economists expect” and found many, many references. Here is the headline from a typical news article:

“Consumer confidence improves in December but lower than economists expected.”¹¹

I am reasonably certain that if I checked in with the economics department here at UCLA, I would be hard pressed to find an economist who had any expectations about consumer confidence last December or would even have had any deep knowledge about what that index purported to measure. The same Google search produced articles about what economists expected concerning Canadian manufacturing sales, Chinese economic growth, declines in the value of the euro, changes in the value of the Swiss franc, the number of new claims for unemployment benefits, etc.

Now I don't doubt that there are some economists out there who worry about consumer confidence or the Swiss franc. But I am also sure that 99% of economists don't and that they wouldn't have anything worthwhile to say about those topics. So what we have here is what used to be called rotary file journalism (back in the day when journalists had rotary files). Some purported expert is found who has – or claims to have – something insightful to say about a subject and then is repeatedly called for quotes and opinions whenever that subject arises. That's fine if the person who is quoted is identified in some way. Readers can look at the opinion holder's background and decide whether they are interested in his/her opinion or not. However, a generalized “economists say” suggests that there is some kind of universal economists' viewpoint or at least that the article is reporting on a balanced sampling of opinion from some large group of knowledgeable economists.

Now I don't doubt that there are folks out there who are hoping for some clue about what consumer confidence will be, maybe because it is believed to affect Wall Street. But the issue of what some nonrandom group of economists may or may not expect about an economic index is especially problematic when it comes to indicators that are routinely revised after an initial public release.

The problem is particularly acute when the indicator is published frequently, e.g., the monthly reports on employment and unemployment or the weekly reports on new claims for unemployment insurance.

¹¹<http://www.breakingnews.com/item/2014/12/30/consumer-confidence-improves-in-december-but-lower/>

It is further intensified when the figures of concern are seasonally adjusted, so that both the underlying data and the seasonal adjustments made to those data may be revised. Does anyone check back, month by month or week by week, with those expectant economists about what they would have said or would have expected about the revisions, if the revised figures had been known originally?

In the January 2015 media release on the employment situation of the U.S. Bureau of Labor Statistics (BLS), we find the table below:

Table A. Revisions in total nonfarm employment, January-December 2014, seasonally adjusted (Numbers in thousands)

Year and month	Level			Over-the-month change		
	As previously published	As revised	Difference	As previously published	As revised	Difference
2014						
January.....	137,539	137,642	103	144	166	22
February.....	137,761	137,830	69	222	188	-34
March.....	137,964	138,055	91	203	225	22
April.....	138,268	138,385	117	304	330	26
May.....	138,497	138,621	124	229	236	7
June.....	138,764	138,907	143	267	286	19
July.....	139,007	139,156	149	243	249	6
August.....	139,210	139,369	159	203	213	10
September.....	139,481	139,619	138	271	250	-21
October.....	139,742	139,840	98	261	221	-40
November.....	140,095	140,263	168	353	423	70
December (p).....	140,347	140,592	245	252	329	77

p = preliminary

It turns out, according to the BLS table, that *all* of the monthly total payroll employment numbers in 2014 were underestimates of what is now reported as their true values. However, some of the *changes* in monthly employment were negative and some were positive and it is the change about which the economists were expecting. Were the expectant economists more or less accurate in their original expectations relative to the latest version of the official figures? No one asks; indeed, no one is especially interested in what they would have said, had they known. No one seems to care that much of what the economists were opining about was noise in preliminary official data. And note that there will be yet more revisions to the data reported on the BLS table in the future.

Although the news world in which those economists did their expecting and opining is within the sphere of journalism, at the end of the day there would be less pressure for such journalism if there was less frequent, but perhaps more accurate, release of statistical information by official agencies. Journalists, when all is said and done, are responding to the time tables of the releasing agency. Previous Mitchell's Musings have asked whether there would be gains on net if, say, the employment data above were released quarterly rather than monthly.

We get by, after all, with quarterly GDP estimates. If nothing else, less frequent reporting would smooth out some of the noise, especially if what is at issue is the *change* in what is being measured. But less frequency of release – through a reallocation of dollars involved in producing the data in the survey - might also be a path to a more detailed report based on a larger sample. More information and less noise might be achieved through such a reallocation.

Shouldn't that possibility be explored? That is a question for which economists (should) expect an answer.

Mitchell's Musings 2-23-15: The West Coast Port Labor Dispute: Are Presidents Out of Practice?

Daniel J.B. Mitchell

You probably have been reading about the West Coast longshore labor dispute that went on for months. News reports, as this musing is being written, indicated that a tentative settlement had been reached. Basically, the old contract between the Pacific Maritime Association (PMA - the employer group) and the International Longshore and Warehouse Union (ILWU) had expired last May and the union was working without a contract while negotiations continued. The PMA charged that the union was engaged in a work slowdown (as opposed to a full-fledged strike) as a bargaining tactic. But the union claimed that a variety of technical causes had led to delays in loading and unloading ships, apart from labor relations. It denied promoting a slowdown. The alleged causes, according to the union, were related to such issues as coordination with trucks servicing the ports, sorting of containers, and larger ships. The PMA, while not terming its actions a lockout, closed the ports on successive weekends, ostensibly to catch up with a backlog of containers needing to be processed.

The PMA seemed to want presidential intervention of some type. It was not clear, however, that such intervention would necessarily favor the employer position. In 2002, after a lockout occurred at the ports, President George W. Bush invoked an 80-day cooling off period under the 1947 Taft-Hartley Act. Perhaps the PMA was seeking a repeat of that action by President Obama. But the attitude of the Obama administration toward unions is surely different than the Bush administration's attitude. In any event, a complete lockout or strike might have triggered a Taft-Hartley intervention by the president, but weekend work pauses were unlikely to do so.

It could be, however, that PMA planned on ramping up its partial lockouts, hoping that the union would eventually call a complete strike in response and that the strike would then trigger Taft-Hartley intervention. However, there was no strike and the intervention by the president was more limited. President Obama sent out his Secretary of Labor, Thomas Perez, to intervene in the negotiations. There were calls by shippers and other commercial interests for someone to do something because of the impact of the problem at the ports in moving cargo in a timely fashion. Undoubtedly, however, the Federal Mediation and Conciliation Service (FMCS) – the agency which is supposed to provide assistance to parties in reaching settlements in labor disputes – was already involved. FMCS, it might be noted, is not part of the Department of Labor and does not report to the secretary of labor.

Full disclaimer: I have no inside information on what was actually going on within the union, within the PMA, at the negotiations, or in the minds of those folks in the Obama administration who made decisions on this matter. What interests me in this episode, however, is that it seemed like an event from a past era during which unions were common in major industries and were seen as important economic players. The fact that possible use of a 1947 statute was at issue makes that point. So let's do a little background history.

Unions began to expand rapidly during the Great Depression of the 1930s. Major strikes occurred and produced *ad hoc* forms of presidential intervention under the Roosevelt administration. Eventually, in 1935, the Wagner Act (National Labor Relations Act - NLRA) was enacted. The new law formalized a process of regulation of labor relations by establishing a National Labor Relations Board (NLRB) to deal with union-management relations in most of the private sector. (Railroads - and later airlines - are covered by a separate Railway Labor Act; agriculture and public sector workers were not covered by the NLRA.)

The expansion of unionization continued during World War II, a period of wage-price controls and bans on strikes to protect uninterrupted military production. But after World War II, as controls were lifted, a strike wave broke out. Conflicts that had been suppressed during the War broke out. At the same time, Congress had shifted to Republican control. Disruptive strikes became a matter of public concern. From the congressional viewpoint, the problem was that the NLRA was too pro-labor and needed to be amended to produce a "balance" between unions and management. The result was the Taft-Hartley Act which was partly an amendment to the Wagner Act, partly a response to the postwar strike wave, and partly a means of dealing with other issues such as political contributions by unions and firms.

Senator Robert Taft, the key personality in shaping the legislation, was a major figure in Republican politics and a possible presidential contender. He was conservative, but mainly in the libertarian sense. Thus, Taft-Hartley is itself a balancing act (no pun intended!) involving checking the power of unions *while not giving the federal government authority to determine wages and working conditions*. There is no compulsory arbitration, for example, built into the law. Ultimately, Taft-Hartley was vetoed by President Truman and then passed over his veto.

The Taft-Hartley provisions that were at issue in the current port labor dispute provide for limited presidential intervention in labor disputes *that rise to the level of creating a "national emergency."* Essentially, the president appoints a fact-finding Board of Inquiry to determine what is at issue in the

dispute but not to make any recommendations. If the president believes that a national emergency is being created by a work stoppage, an eighty-day injunction (cooling off period) can be sought from a court. If the court agrees that there is a national emergency, any strike or lockout is forbidden during the 80 days. As noted, there is no provision for the president or anyone else to engage in binding arbitration and to determine what the terms of the settlement should be. But there is a provision for management's last offer to be put to workers for an up-or-down vote conducted by the NLRB during the period between day 60 and day 75. If workers accept those terms (thus going over the heads of their union leaders in doing so), the terms presumably become the new settlement. (The statute is a bit vague on that point.) If there is no settlement, both sides are as free to engage in a strike or lockout as they were before at the end of the 80-day period. The president would have to seek additional legislation from Congress for any further authority.

There are two implicit assumptions in the Taft-Hartley process. One is that the impasse that caused the work stoppage was a function of the parties not having enough time to negotiate a settlement. Thus, if the parties are given another 80 days, perhaps they will reach an agreement on their own. But the fact that settlements are often reached at the midnight hour, i.e., just before the old contract expires, may create an illusion of a tendency to run out of time in labor disputes. In fact, however, it is in the nature of the bargaining process that bluffing stops when the deadline is at hand. Last minute settlements are to be expected. Moreover, if the parties think that the federal government is likely to step in and add another 80 days to their contract, they will take the true deadline to be at the end of the injunction, not the original ending date of the contract.

The other Taft-Hartley assumption – inherent in the vote procedure – is that union officials are leading their members astray and that the members, if given a chance, are more amenable to going along with the employer than their (radical, militant) leaders. Again, the assumption is questionable. Nonetheless, the Taft-Hartley Act – which reflects conditions and political attitudes of the late 1940s – is still the law of the land and the only formal method of presidential intervention in labor disputes covered by the NLRA.

At one time, when unions were major factors in key industries, Taft-Hartley injunctions were repeatedly invoked in a variety of sectors. The issue of whether these cases were truly national emergencies was not much discussed and courts gave the president what he wanted. By the 1970s, however, Taft-Hartley injunctions were mainly at issue in longshoring. When President Carter sought an injunction in a coal

mining dispute, a court did not go along with granting his request on the grounds that there was no true national emergency. But because of the impact on international trade and the ripple effects therefrom, courts remained less likely to be dubious in longshore situations. Thus, as noted above, President Bush obtained an injunction in a West Coast longshore dispute as recently as 2002.

Still, thirteen years have gone by since 2002. Whether a court would view a complete work stoppage in longshore as a national emergency in 2015, is unclear. Courts haven't had much practice in handling now rare Taft-Hartley injunctions. The notion that longshoring is inherently a sector in which any major stoppage is a national emergency is no longer routine.

If we go back in time to the era of Taft-Hartley's enactment and the next decade or so, presidential intervention in labor disputes was much more common than it is today. In earlier musings, I have used White House recordings from the Kennedy, Johnson, and Nixon administrations to illustrate the tendency of presidents to involve themselves and their labor secretaries in work stoppages. Such disputes tended to be visible but not necessarily even close to national emergencies. A newspaper strike over the displacement effects of automation – computerized printing – during the early 1960s in New York City was a prime example. Automation was a general public concern in that period. And, in addition, the Kennedy-Johnson administrations had promoted voluntary wage-price guidelines for anti-inflation reasons and were anxious that visible union settlements not exceed the guidelines. Later, the Nixon administration imposed mandatory wage-price controls and, again, it was anxious to see that the rules were being followed.

In short, presidents and their advisors back in the day were more familiar with labor relations and more accustomed to involving themselves in labor disputes than is now the case. They were aware that there is a political danger inherent in such involvement. What happens if there is presidential intervention and no settlement is reached?

The current secretary of labor is reported to have pushed the parties to the longshore dispute to settle or be called to the White House for negotiations. Note that there is no law, certainly not Taft-Hartley, which could require the parties to a labor dispute to move to the White House. And there is no certainty that if they did so move, there would be a settlement as a result. In the mid-1960s, President Johnson tried such a strategy in an airline dispute and ultimately failed to achieve a settlement that complied with his wage guideposts. That high-profile failure is generally seen as the *de facto* end of the Kennedy-Johnson wage-price guideposts program and a presidential defeat.

What's the lesson to be learned? The ILWU and the PMA have been engaging in labor negotiations for decades. They are old pros. One suspects there is much less experience in labor relations among the political advisors to the president. In this case, at least in public perception, the president sent out the secretary of labor and a settlement was reached. That result was a PR plus for the president. Did anyone in the White House see the potential dangers to the president that could have arisen from an unsuccessful intervention? What if the parties had not reached a settlement? It's an interesting question to which we will not know the answer.

Mitchell's Musings 3-2-15: When the Obvious Apparently Isn't

Daniel J.B. Mitchell

A short musing this week, one based on a personal experience. But first a proviso. Yes, I do know the distinction between a macro view of the labor market and a micro view. I used to utilize the following example in a labor econ class with regard to that distinction and the use of programs which are supposed to aid the unemployed. If there are 100 job seekers and 90 jobs, at the end of the day, ten will be unemployed. That's what happens in "Round 1." Imagine I now propose a job coaching program whereby I apply some "treatment" to the unlucky ten to help them find a job. The evaluation of the program will be based on whether in fact the program gets them a job.

In my hypothetical job coaching program, I teach the ten to comb their hair and to dress right for job interviews, to look the interviewer in the eye, and to prepare a spiffy résumé. Now we run the experiment again for Round 2. Let's suppose that as before there are 100 job seekers (including my ten) and 90 jobs. And let's suppose that prospective employers are very impressed with my well combed job seekers so that all ten get jobs. My program is a smashing success. But at the end of the day in Round 2, ten folks end up unemployed. It's just that they are a *different* ten. From a macro perspective I have done nothing other than reshuffling the queue of job seekers. But from a micro perspective, my program has met its objectives (and the ten who went through it are now enthusiastic supporters).

I hope this example will be convincing that I know the difference between macro and micro. The macro problem was the shortage of ten job openings compared to the number of job seekers. I can only fix the underlying macro problem by doing something on the demand side to create those extra jobs. A supply side fix won't help in this simple example.

There is a proviso, however. Suppose we complicate the example a bit by assuming there are some additional job openings beyond the original 90. To make the example simple, assume there are employers with another ten openings, but who won't hire folks who are unkempt, inappropriately dressed, who don't look interviewers in the eye, and who have slapdash résumés. Those employers take such traits as signals that job seekers who have them will, if hired, turn out to be poor performing employees. They would rather have vacant positions instead of poor performers. My ten job seekers, before the treatment, can be said to be structurally unemployed because of their traits. No matter how much opportunity the labor market provides, they end up unemployed. But if I run the ten through my treatment program, they do get jobs and we have resolved the problem whether you choose to view it as macro or micro.

What brought these matters to mind was my participation in hiring a candidate for a job vacancy. I won't describe the vacancy except to say that it involved a job requiring a college education. The job's duties were described in the official posting. And one could easily go to the website of the organization in which the job was to be located to find out more detail about the organization itself and the likely desirable characteristics of someone who would be considered for the position.

About 30 applications were received. At this stage, the process involves separating applications into those who should be rejected without further scrutiny and those who should receive a serious look. Of the applications received, about two thirds fell into my reject pile. Why? Their cover letters – an

opportunity to explain in brief terms why the applicants' backgrounds made them a good fit for the position – were generic “hire-me-I’m-good” letters that were not geared to the actual position or the actual organization at issue. There was no highlighting in the letters of background or experience that seemed specifically relevant for the job opening. There was no sign of the applicants even having visited the organization’s website to see what its function was. Would you hire someone for a responsible position if that person showed no ability to highlight their own qualifications?

Because the job posting made it clear that a college education was required, the applicants were not uneducated. They did not have backgrounds where one would expect to find folks who needed to be told to do the equivalent of combing their hair or dressing right for an interview. Of course, you could say that given the modern ability to apply for the job electronically, it didn’t take much effort to submit an application. Still, what’s the point of submitting an application which has a zero chance of success, even if it is easy to do?

My experience is admittedly a very small sampling of the job market. Nonetheless, it suggests (to me, at least) that there is a need out there for some very basic job coaching, apparently even at the college level. Yes, I know that such coaching – “make your cover letter relevant for the job you are seeking” - wouldn’t have solved the macro labor market problems that arose in the aftermath of the Great Recession. That’s why I started this musing with the macro vs. micro material. But my limited experience does suggest that there is a structural problem in the labor market for some folks which goes beyond the usual target groups.

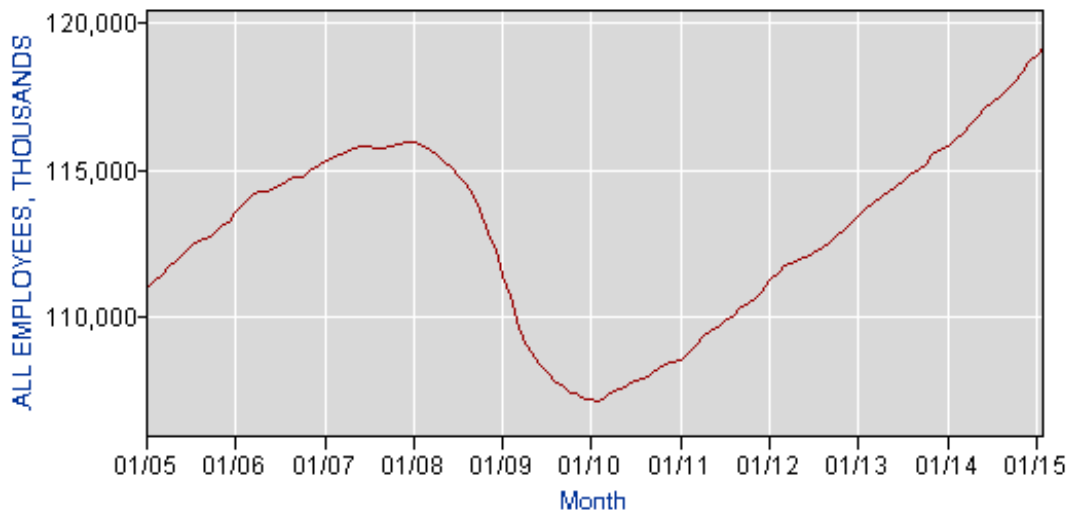
Mitchell's Musings 3-9-15: We May be Able to Play Keynes to the World, But It's a Bad Idea

Daniel J.B. Mitchell

There was much excitement when the latest employment release came out from the U.S. Bureau of Labor Statistics last week. The February month-to-month change, seasonally adjusted, in payroll employment was officially 295,000, considered "good." In past musings, I have cautioned about the vagaries of one-month, seasonally-adjusted data that are preliminary and subject to revision and re-revision. But those folks who were excited about the employment gain pointed to a series of months with gains above 200,000. And the stock market took a dive on the news, purportedly because good news is bad news if you are worried about the Fed eventually raising interest rates as the economy picks up.

There is no doubt, however, that apart from monthly noise in the data, U.S. employment has been expanding steadily, if not rapidly, for the past five years, as the chart below illustrates. However,

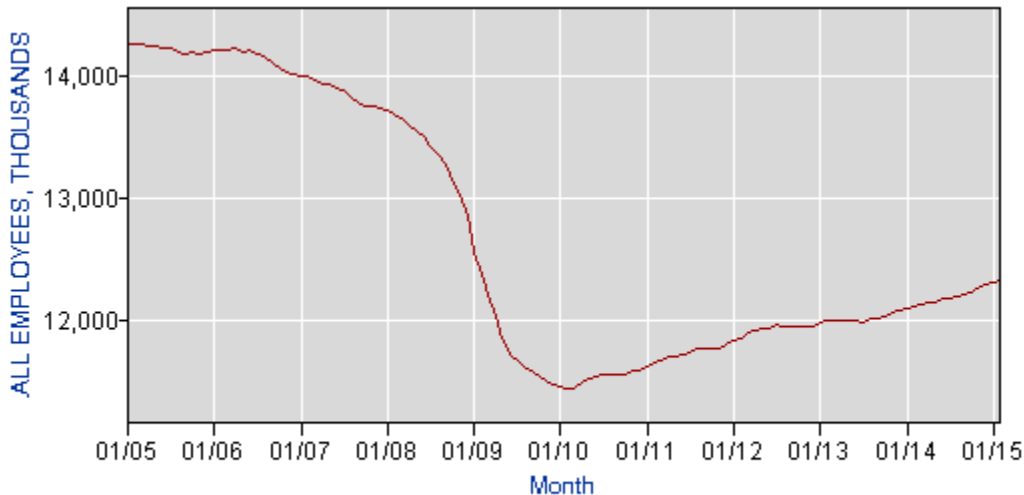
Private Sector Payroll Employment



there are sectoral differences in the post-Great Recession experience. In particular, manufacturing employment (see chart on the next page), while showing gains over the past five years, is nowhere near its prior cyclical peak. While total private employment surpassed its previous peak in 2014, manufacturing employment is still depressed. As we have noted in prior musings, if you want to do something for manufacturing, offering training at community colleges or providing subsidies to this or

that “greentech” company won’t do it. Photo ops at high-tech factories won’t do it. You have to look at the international side of the problem of long-term job erosion in manufacturing. And, having looked there, you have to address the issue of the chronic American trade deficit.

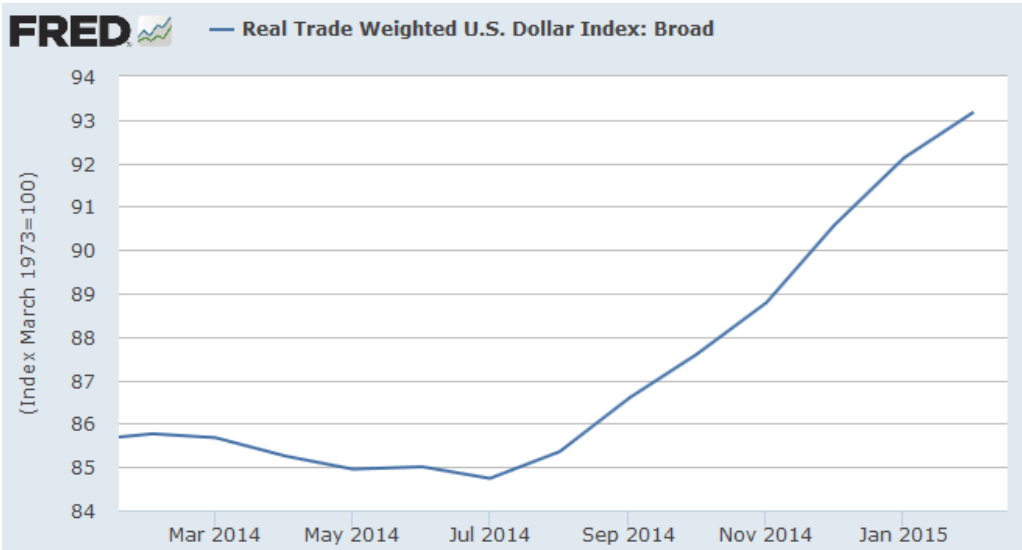
Manufacturing Payroll Employment



The world has grown used to the U.S. playing Keynes when job expansion abroad is needed. In the past year or so, both Japan and the Euro-zone have experienced economic slumps of varying degrees and have allowed (encouraged?) their currency exchange rates to depreciate relative to the U.S. dollar. While such foreign currency depreciation adversely affects the competitiveness of a variety of U.S. industries, the impact is particularly felt in the manufacturing sector. Import-competing sectors of manufacturing are put under additional pressure. And exports become more difficult to sell abroad. The former “good jobs” in manufacturing that aren’t there anymore are not gone because of some mysterious force of nature. Some may have gone due to technological advance. But others are gone because no one in either political party wants to address the real deficit that matters to manufacturing – the trade deficit.

As the chart above shows, just to get back to the prior peak in manufacturing would require growth of roughly two million jobs. Both political parties claim an interest in job creation, particularly in manufacturing. But neither has a program for addressing the dollar exchange rate. And in less than a year, the dollar has appreciated on a trade-weighted basis by almost 10%, as can be seen on the chart on the next page from the St. Louis Fed database. Much of that change is Euro and Yen related.

Have you heard any Congressional debate about that dollar appreciation? Are there statements from the White House? When you do hear discussion of the “deficit” from either source, it is always the federal budget deficit and not the trade deficit that is the target. Why is that? Why is there a taboo when it comes to discussing exchange rates? A 10% jump in gasoline prices creates headlines, but not a 10% dollar appreciation (about the magnitude on the chart below). Why is the U.S. the one country elected to play Keynes (i.e., to provide stimulus to other economies) when foreign economies need help? It’s time to change the rules of the international game.



Mitchell's Musings 3-16-15: The Symbolic Logic of the Symbol Minded

Daniel J.B. Mitchell

In past musings, we have discussed the decline of unionization – and therefore the frequency of union-management negotiations – and a consequent drop in public understanding of what a negotiation entails. In a repeat negotiation process, there are rituals which experienced parties to the negotiation understand, some of which are symbolic. But at the end of the day, skilled negotiators (are supposed to) keep their eye on eventual goals and outcomes. If symbolic actions and statements get in the way, we have evolved techniques of mediation to reframe issues so that some eventual deal can be reached.

I was recruited to the UCLA faculty as a graduate student at MIT by UCLA Professor Frederic Myers who was visiting MIT at the time. Myers had been a union negotiator just after World War II and he related a story to me. In that era, there was much labor strife as wartime controls were lifted. There were “rounds” of bargaining in various industries in which certain targets – expressed in cents per hour – developed. At one point, there was a round in which a pay raise of 18½ cents per hour became a union target. Union leaders were expected by their members to achieve 18½ cents, regardless of whether that number was appropriate for their unit. In short, 18½ cents became a symbol. The target therefore also became a figure that management wanted to resist, a kind of anti-symbol symbol.

After a stalemate in negotiations was reached by Myers and his management counterpart, they met informally in a bar. Myers proposed that the two of them find a settlement for which he could credibly claim to have won 18½ cents for his union members and his counterpart could credibly claim that the settlement was actually less. With that understanding, a deal was reached. It was “win-win,” before anyone had even heard of that phrase.

The lesson is that it's fine to have symbols as long as they don't stand in the way of achieving some feasible objective. If symbols stand in the way of achieving such an objective, negotiators need to find some way around them. Nowadays, when union-management negotiations are rare in the private sector, you generally hear nothing about them in the news media at all. When they do make the news, the accounts take a naïve view that what is said publicly by the parties is what they expect to achieve. Put another way, symbolic speech is taken literally in the news media.

Outside the labor-management context, I have the impression that symbols are taking over at the expense of actual deal making. Either the parties to political disputes have no objective other than promoting their symbols or they don't understand the process of finding an approach so that symbols don't get in the way of goals. In my home state of California, for example, there is at present a drought and so there is a renewed attention being paid to water infrastructure. However, dams have now become symbols in California. Democrats are against them, ostensibly for environmental reasons, even if they are euphemistically called “water storage facilities.” Republicans are for them because, well, Democrats are against them.

Presumably, however, there is a trade-off on a case-by-case basis between the environmental impact of any particular “water storage facility” and reliable water delivery and cost. After much haggling, the legislature put a water bond on the ballot last November which seemingly earmarked certain funds for water storage. That was a good sign; some way was found around the symbol. The bad news is that any

decision on what actually happens to the bond funds – now approved by the voters – is likely to restart the symbolic battle.

You see the same symbolic takeover in Congress over the proposed Keystone oil pipeline. Republicans are in favor of the project. Democrats are opposed. Presumably, however, the pipeline could (should) be evaluated with regard to its environmental costs vs. economic benefits. No one seems especially inclined to do so. The situation repeats with regard to almost every major issue at the federal level.

One interpretation, a plausible one in my view, is that the legislative or Congressional goal is just re-election and that the partisan public has, over time, become more interested in symbols than results. Yet polls results suggest that there is a substantial nonpartisan center with aversion to gridlock, state or federal. Congress' favorability ratings, in particular, are low as a result of a sense that it is unable to deal with the nation's business.

There is no doubt that the partisan public likes symbolic behavior. However, there is a growing nonpartisan public that isn't symbol minded. When I examine California's voter registration data, I find that there is a long-term decline in the proportion of the electorate registered as either Democrats or Republicans. The only growth in registration is what is termed "decline to state," i.e., voters registered with no party as their choice, a proportion approaching a fourth. Neither of the major political parties has a simple majority of registered voters although Democrats with 43% have a plurality. (Republicans have 28%, third parties have 5%, and the rest are "decline to state.")

California voters through a ballot proposition a few years ago abandoned partisan primaries and substituted a "top-2" nonpartisan system in which all candidates run in one election regardless of party affiliation. In short, even if folks no longer have frequent labor-management negotiations as potential models for how to reach feasible outcomes when there are conflicts, there is a trend in sentiment – not yet dominant, of course – against the current clash of symbols.

Mitchell’s Musings 3-30-15: What’s Important is Changing

Daniel J.B. Mitchell

The Public Policy Institute of California (PPIC) regularly publishes state opinion poll data on political, economic, and social issues. Among the questions included as part of the survey is an open-ended inquiry in which respondents are asked about what they think is the most important issue facing the state:

“Thinking about the state as a whole, what do you think is the most important issue facing people in California today?”

Respondents don’t choose from a menu of issues. Rather their responses are coded into various categories by the interviewer. (So far, the inelegant use of participles by pollsters has not been among the coded top issues reported to be facing the state!) The table below summarizes the responses of the March 2015 poll and the trend in responses going back to 2007.

California Unemployment Rate and Percentage of Adults in PPIC Poll Listing Jobs/Economy or Some Other Issue as the First or Second Most Important Issue Facing the State

	Unem- p- loy- ment^a	Jobs/ Economy	Second Most Important Issue^b
March 2007	5.4%	13%	immigration/illegal immigration 19%
March 2008	7.3%	35%	education/schools 12%
March 2009	11.2%	58%	state budget/deficit/taxes 13%
March 2010	12.2	57%	education/schools 12%
March 2011	11.7%	53%	state budget/deficit/taxes 14%
Feb. 2012	10.4%	52%	education/schools 8%
March 2013	8.9%	45%	education/schools 11%
March 2014	7.5%	32%	Water/drought 15%
March 2015	{6.9% ^c }	24%	water/drought 23%

^aAnnual unemployment rate except 2015.

^bIn 2007, jobs/economy was the second most cited issue; immigration/illegal immigration was first.

^cFebruary 2015, preliminary, seasonally adjusted.

As might be expected, the Great Recession and its aftermath had a major effect on the responses given by those surveyed to the poll. The rise in unemployment during the Great Recession and its high level during the subsequent recovery made jobs/economy the number one response for most of the period. Before the Great Recession took hold, however, another issue – immigration – was the lead concern and the percentage citing jobs/economy was low (number 2). In the latest survey, jobs/economy is

essentially tied for first with the drought California is experiencing.¹² The level of concern over jobs/economy shown on the table has been roughly cut in half from the peak. Various water districts are currently imposing limits on water use and raising the price of water. Scary headlines about the drought have appeared. So it's not surprising that as jobs/economy has faded in perceived importance, the water/drought issue has risen in relative prominence.

As noted, jobs/economy was in second place just prior to the Great Recession and before the unemployment rate shot up. At that time, drought was not an issue. However, the immigration issue had simmered somewhat during the gubernatorial election year of 2006 which may account for its showing in the early 2007 poll. Within California in the most recent survey, there is regional variation. Jobs/economy receives the most attention in the higher unemployment areas of the state. Thus, it is seen as more important in the Inland Empire, an area generally east of Los Angeles which was a center of flaky mortgages, foreclosures, and has featured the municipal bankruptcy of San Bernardino. In contrast, jobs/economy is a low concern in the San Francisco area which is now in the midst of a tech boom. An exception to the unemployment effect is the Central Valley which has high unemployment but also an agricultural base and therefore has heavy water dependence. Water and jobs/economy are tied together in that region.

Percentage of California Adults in March 2015 PPIC Poll Listing Jobs/Economy or Water/Drought as the First or Second Most Important Issue Facing the State

	Jobs/economy	Water/drought
All Adults	24%	23%
Central Valley	17%	32%
San Francisco Bay Area	15%	32%
Los Angeles, Long Beach, Anaheim	29%	13%
Orange, San Diego	27%	22%
Inland Empire	35%	15%

Despite the recovery, California, as has the rest of the U.S., shows signs of labor-market distress that go beyond the basic unemployment rate. For example, the labor force participation rate has fallen in the state, as it has in the country as a whole. The drop in participation seems particularly marked among younger age groups. The current overall participation rate for the state (62.4%) is below the level at the pre-Great Recession peak of the last business cycle (65.7%) and below the level at the trough date of the Great Recession (65.3%). But while the news media have carried stories about such job market difficulties,¹³ there has not been much political traction to them.

¹²Among "likely voters," the statistical tie was reversed with the drought as the lead issue. For the most recent poll, see http://www.ppic.org/content/pubs/survey/S_315MBS.pdf. The question about the most important issue is asked several times during the year. I picked the earlier March surveys, or a date close to March if that month was not available, to match the most recent survey month.

¹³<http://www.latimes.com/business/la-fi-shrinking-workforce-20141204-story.html>.

California at the statewide level is a “blue” state and its (Democratic) political establishment tends to focus on jobs created since the Great Recession and the decline in the unemployment rate. Issues such as poverty and labor force participation are more likely to be raised on the right side of the political spectrum, but mainly to decry perceived state overregulation and high taxes to which such ills are attributed. As the PPIC survey suggests, however, the problems of the labor market – whatever their cause - are receding from public view. The political significance of jobs/economy is becoming progressively limited.

PPIC data refer only to California, of course, but it is likely that similar attitudinal and political developments have occurred throughout the U.S. as the general unemployment rate has fallen. The unemployment rate may not capture all of the aspects of the labor market on which economists focus. However, at least at the state and local level, and absent another economic downturn, both the unemployment rate’s decline and its current reduced level suggest that other issues are likely to dominate future political contests. Unemployment may not capture all that is occurring in the labor market, but it seems to capture the level of public attention to that market.