The Atlanta Journal-Constitution
ajc.com

Investing in tech helps jobs
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For the AJC
31 October 2010

The September national jobs report showed a loss of 95,000 jobs in the economy as not only temporary census workers were laid off, but a big chunk of employees at the local government level (local police, firefighters, city workers, etc.), as well.

One can understand local government hiring woes since they are related to tax revenue, or the lack thereof, resulting from home prices that have cratered in almost every major metro area.

Atlanta may not have had that rocket rise in home prices like Las Vegas or Phoenix, and consequently the decline has not been as precipitous, but it still puts the home values roughly back to where they were in 2000. This is surely going to affect the money that local cities and governments can play with in providing basic services in the coming years.

Job creation in the private or corporate sector was a positive 64,000. It's good that this metric has been in the plus territory for the last nine months, but it is nowhere near the quarter- million monthly job additions of the go-go '90s or even the 130,000-monthly job creation rate between 2003 and 2007.

Why did the job creation pace fall in this decade? The short answer is that spending on equipment and software --- tech investment by businesses --- hasn't been as robust this decade as it was in the booming '90s.

Tech investment as a proportion of national income (GDP) grew from about three percent in 1990 to almost five percent in 2000. This means that businesses were investing at an annual compound rate of 12 percent in that decade. No wonder the stock market gains were terrific, as were job gains that averaged a fabulous 240,000 per month from 1993 to 2000.

Those were the days when the freshly minted college graduates got well-paying jobs even before the ink was dry on their degrees. Still, they had to come up with the necessary but hefty down payment to buy their starter home. So they had to rent first. No surprise that the apartment building market was so hot in the '90s.

After the tech bubble burst, and in the subsequent recovery from 2002 to 2008, tech spending grew at a compound annual rate of only six percent. What was the resultant job growth? Almost half of the previous decade rate at 130,000 per month. And this job creation pace was even weaker in the early part of the recovery years.

This is when I used to half-seriously say in my speeches around town that, at this job creation pace, your kid will still be living in your basement after college graduation. It always got a nervous chuckle from my audience.

As luck would have it, when job creation picked up around 2005, these kids moved out and quickly bought those freshly minted condos that developers were building.

There was no need for the hefty down payments, as Uncle Sam's agencies (Freddie and Fannie) were backing those almost no-money-down mortgages that funded this buying binge. The memory of people lined up to put down deposits for town homes in Atlantic Station are still fresh in our minds.

Note that I use the word "resultant" deliberately: My statistical research work at the Economic Forecasting Center at Georgia State University has shown that it is precisely the strength of tech spending that determines the pace of job growth, or lack of it, as experienced during the initial stages of the recoveries from recessions since 1990.

And what determines tech spending? Confidence measures, notable among them the CEO confidence index.

When CEOs get optimistic they tend to go for expansion plans by convincing their boards and bond holders that the situation is right to undertake some risk by doing some investment spending. This means buying technology equipment and software as well as office and industrial space. Thus, the virtuous cycle of growth takes hold as one industry's spending is another one's demand.

Where does the CEO mood stand currently?

The CEO confidence index, issued by the Conference Board, is up substantially from its nadir in the last quarter of 2008. As it recovered so did the pace of tech investment. So, after dropping at a 15 percent rate during the great recession (when job losses averaged 400,000 per month), it has been growing at a pace of almost 20 percent in the past 12 months.

Much of that spending is in what we term "replacement for depreciating equipment and software," and hence the job growth hasn't been that robust.

But once the businesses get done with this replacement the replenishment cycle can begin. And if the tech spending is even sustained at half its current pace we should see almost 150,000 monthly jobs at the national level next year.

But will we?

First one has to figure out what's churning inside the mind of a typical CEO. That means parsing their interviews and statements in the media, just like I have to read chairman Ben Bernanke's speeches to figure out the direction of monetary policy. (Trust me they make a good reading on a Sunday afternoon when it's raining outside!)

A few weeks ago, I heard Carol Bartz, CEO of Yahoo at a Georgia State forum. She said that her first concern was that we can't seem to get stability around housing, which in turn makes consumers less confident. In plain terms, she is worried about her sales-growth numbers in the coming months which, if strong, are the biggest boosters of a CEO confidence level.

That worry is standard.

Her next major worry was about the goings-on in Washington that are changing lots of rules in the marketplace and, she felt, eroding confidence among the business leaders.

There she nailed it.

Revenue growth (presence of demand), cheap finance and availability of workers --- all that is fine and dandy. But if you feel uncertain about which way the political wind is blowing, you will be reluctant to fork over money for investment, inherently a risky process. You always have a latent uncertainty if you expand capacity and customers don't show. But political uncertainty just pushes CEOs over the edge.

Come November there is an expectation that things will change for the better. But I am not so sure, and neither are the CEOs. Meanwhile, the casualty is the private job growth.

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