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Jobs, Jobs and Cars

By PAUL KRUGMAN

Mitch Daniels, the former Bush budget director who is now Indiana's governor, made the Republicans' reply to President Obama's State of the Union address. His performance was, well, boring. But he did say something thought-provoking — and I mean that in the worst way.

For Mr. Daniels tried to wrap his party in the mantle of the late Steve Jobs, whom he portrayed as a great job creator — which is one thing that Jobs definitely wasn't. And if we ask why Apple has created so few American jobs, we get an insight into what is wrong with the ideology dominating much of our politics.

Mr. Daniels first berated the president for his “constant disparagement of people in business,” which happens to be a complete fabrication. Mr. Obama has never done anything of the sort. He went on: “The late Steve Jobs — what a fitting name he had — created more of them than all those stimulus dollars the president borrowed and blew.”

Clearly, Mr. Daniels doesn't have much of a future in the humor business. But, more to the point, anyone who reads The New York Times knows that his assertion about job creation was completely false: Apple employs very few people in this country.

A big report in The Times last Sunday laid out the facts. Although Apple is now America's biggest U.S. corporation as measured by market value, it employs only 43,000 people in the United States, a tenth as many as General Motors employed when it was the largest American firm.

Apple does, however, indirectly employ around 700,000 people in its various suppliers. Unfortunately, almost none of those people are in America.

Why does Apple manufacture abroad, and especially in China? As the article explained, it's not just about low wages. China also derives big advantages from the fact that so much of the supply chain is already there. A former Apple executive explained: “You need a thousand rubber gaskets? That's the factory next door. You need a million screws? That factory is a block away.”

This is familiar territory to students of economic geography: the advantages of industrial clusters — in which producers, specialized suppliers, and workers huddle together to their mutual benefit — have been a running theme since the 19th century.

And Chinese manufacturing isn't the only conspicuous example of these advantages in the modern world. Germany remains a highly successful exporter even with workers who cost, on average, \$44 an hour — much more than the average cost of American workers. And this success has a lot to do with the support its small and medium-sized companies — the famed *Mittelstand* — provide to each other via shared suppliers and the maintenance of a skilled work force.

The point is that successful companies — or, at any rate, companies that make a large contribution to a nation's economy — don't exist in isolation. Prosperity depends on the synergy between companies, on the cluster, not the individual entrepreneur.

But the current Republican worldview has no room for such considerations. From the G.O.P.'s perspective, it's all about the heroic entrepreneur, the John Galt, I mean Steve Jobs-type “job

creator” who showers benefits on the rest of us and who must, of course, be rewarded with tax rates lower than those paid by many middle-class workers.

And this vision helps explain why Republicans were so furiously opposed to the single most successful policy initiative of recent years: the auto industry bailout.

The case for this bailout — which Mr. Daniels has denounced as “crony capitalism” — rested crucially on the notion that the survival of any one firm in the industry depended on the survival of the broader industry “ecology” created by the cluster of producers and suppliers in America’s industrial heartland. If G.M. and Chrysler had been allowed to go under, they would probably have taken much of the supply chain with them — and Ford would have gone the same way.

Fortunately, the Obama administration didn’t let that happen, and the unemployment rate in Michigan, which hit 14.1 percent as the bailout was going into effect, is now down to a still-terrible-but-much-better 9.3 percent. And the details aside, much of Mr. Obama’s State of the Union address can be read as an attempt to apply the lessons of that success more broadly.

So we should be grateful to Mr. Daniels for his remarks Tuesday. He got his facts wrong, but he did, unintentionally, manage to highlight an important philosophical difference between the parties. One side believes that economies succeed solely thanks to heroic entrepreneurs; the other has nothing against entrepreneurs, but believes that entrepreneurs need a supportive environment, and that sometimes government has to help create or sustain that supportive environment.

And the view that it takes more than business heroes is the one that fits the facts.