A Bailout For Yuppies

Joel Kotkin, 01.13.09, 12:01 AM EST

Allocating money for water slides and elite professionals is more than foolhardy.

The recent call by the porn industry—a big employer where I live, in the San Fernando Valley—for a $5 billion bailout elicited outrage in other places. Around here, it sparked something more akin to nervous laughter. Yet, lending a helping hand to Pornopolis is far from the most absurd approach being discussed to stimulate the economy.

Some influentials close to the administration may even find the porn industry a bit too tangible for their tastes. After all, the pornsters make a product that sells internationally, appeals to the masses and employs a lot of people whose skills are, well, more practical than ideational.

As such, they may not even qualify for what is best described as a yuppie bailout, poised to extend the welfare state to the highly educated professional set. After all, George Bush's bailout of Wall Street has already set a precedent, using public money to secure the bonuses and nest eggs of some of the nation's most elite professionals. Call it the Paulson principle: In bad times, steer help to those least in need.

A yuppie stimulus differs from the more traditional approach, which aims to get the front-line, blue-collar types back to work. Instead, it would channel public funds away
those grouchy construction workers--some 30% of whom may be soon be out of work--to better heeled, and, in their minds, more deserving "creative" professionals. After all, what stake do the netroots have in making things better for Joe the Plumber?

In contrast, the yuppie bailout focuses on a sure-fire Democratic constituency, the well-educated urban professional. One advocate of such an approach, pundit Richard Florida, has urged President-elect Barack Obama to eschew crude investments in traditional production and a renewed housing market in favor of goodies directed to what he calls "the creative industry."

Florida sees any focus on restoring manufacturing and housing as a misguided rescue of the "old industrial economy," in which Americans actually made things and other Americans consumed them. Instead, he suggests, "the first step must be to reduce demand for the core products and lifestyle of the old order."

So let's stop worrying about what happens to Detroit, or the crisis in the housing market. In Florida's view, cars, of course, are demonized as woefully bad for environmental reasons and not particularly friendly to the preferred dense urbanity so attractive to advocates of "hip cool" cities.

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Florida even recommends shifting away from the single-family home, which is also, all too often, in the 'burbs. Instead, we should develop what he calls "flexible rental housing," so people can move every time they get new jobs. I think that is what they used to do in Chairman Mao's China, too, albeit without the granite countertops and a Starbucks (nasdaq: SBUX - news - people ) around the corner.

In a yuppie bailout, what spending takes priority? More jobs for academics and educators. Florida suggests we invest in "individually tailored learning." We assume this means neither home-schooling nor basic skills training but something more like painting and acting classes for tots and advanced "creative" navel-gazing for tweens and adolescents. And, of course, lots and lots of new jobs for well-paid, unionized teachers.

These ideas should not be dismissed out of hand as the impractical meanderings of a lone scholar. In fact, Florida's views are taken very seriously among influential Obama supporters at companies like Google (nasdaq: GOOG - news - people ) as well as by politicos such as Michigan Gov. Jennifer Granholm, who is widely identified as a key Obama counselor on economic issues.

Nor is Florida alone in his views. Bigger feet among the purveyors of conventional wisdom, like The New York Times' Thomas Friedman, also think the stimulus should steer more resources into the public pedagogy. Friedman even recently suggested teachers be exempted from paying federal taxes.
And it's not just teachers who would benefit from a yuppie bailout. The economic stimulus, Friedman says, should also focus more on high-tech companies like Google, Apple (nasdaq: AAPL news people), Intel (nasdaq: INTC news people) and Microsoft (nasdaq: MSFT news people), all of which enjoy extraordinary valuations. This reaffirms the Paulson principle with a politically correct spin.

Politically, a yuppie bailout would certainly appeal to powerful Democratic constituencies, not just the teachers' unions. Select high-tech companies and venture capitalists can count on new subsidies and tax breaks. Greens and "smart growth" advocates will celebrate if money is diverted from hard infrastructure--such as improved roads, bridges, ports and transmission lines--which they insist would create enough carbon to heat the planet like a toaster.

This "yuppie first" approach certainly would appeal to many mayors, some of whom are already adherents to the Floridian ideology. They may be further encouraged by a new report by the Philadelphia Federal Reserve called "City Beautiful," which suggests cities should not promote growth through traditional infrastructure but instead invest in frilly amenities. As a Boston Globe article on the report summarized cheerfully: "Make it fun."

Here's another hint of what might be coming in a yuppie bailout. Providence, R.I., located in the state with the nation's second-highest unemployment rate, wants to sink money into a polar bear exhibit at its zoo--perhaps so we can see them before they become extinct or go on Al Gore's payroll--as well as make improvements to a soccer field. Miami envisions spending on a giant water slide, new BMX and dirt bike trails at a local park and, of great national import, a new Miami Rowing Club building.

Even the once-booming but now-hurting ultimate "fun city," Las Vegas, wants in on the act. Mayor Oscar Goodman is asking the feds to kick in big time for its new Museum of Organized Crime and Law Enforcement. That's right, taxpayers can participate in building a monument to Bugsy Segal. And with Nevada's own Harry Reid running the Senate, the project seems well-positioned to get the "respect" it deserves.

If Goodman, who used to defend mobsters as a criminal defense lawyer, has his way, it could spark a feeding frenzy for every under-funded tourist trap from Cleveland to Cucamonga. Pork used to mean roads, bridges and ports that, at least in theory, made the economy more productive while providing well-paid work for blue-collar workers. Soon these dollars may instead go toward yacht clubs, art galleries, museums and "creativity" training for toddlers.

A yuppie bailout is likely to hold more money for Boston, San Francisco and other havens of the perennially hip--all of them Democratic bastions. There's also likely to be less funding for the grotty suburban towns, industrial backwaters and Appalachian hamlets, all of which don't usually appeal to the artistic set.

To an old-fashioned Democrat, this all seems to miss the point. Shouldn't we be stimulating the places already suffering the most from high unemployment, foreclosures
and spreading impoverishment? Where do Toledo, Cleveland or Modesto fit in to the yuppie bailout? As Pittsburgh-based blogger Jim Russell says: "Most of the population will continue to live in 'Forgottenville.' Should we just forget about them?"

In spite of all this, the mounting pressure for a yuppie bailout sadly reveals how the supposed party of the people is being transformed into just a second party of privilege. We should desperately try to create new productive capacity and better-paying jobs, especially for the denizens of Forgottenville. It certainly makes more sense than pouring taxpayer funds into new clubhouses, water slides or even better-financed pornographic movies--however much the latter may help property values in my neighborhood.