

# There's a reason America's vets can't find work but not what Ben Bernanke thinks

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Almost half a century after the U.S. military adopted an All Volunteer Force of highly skilled, highly trained, high-IQ warriors, the myth of the stupid soldier lives on. Numerous studies have debunked it. Today, almost no one who scores in the bottom 40 percent of cognitive tests is allowed into the Marine Corps, Navy, Army, or Air Force.

Yet just the other day, Ben Bernanke, the former chairman of the Federal Reserve, **said** that, “If you go into the military at age 18 — versus an identical person who stays in the private sector and takes a private sector job — 10 years later, if you leave the military, your skills and wages are probably not going to be quite as high on average as the private sector person.” Bernanke cited the high veteran unemployment rate and chided the Pentagon for advertising that service in uniform adds beneficial skills.

It is puzzling that he could be so wrong. For example, a recent **study** from the Department of Veterans Affairs found that “post-9/11 veterans attain 11 percent higher median earnings than non-veterans with similar demographic characteristics,” an advantage that was even higher for female veterans.

Yes, the unemployment rate for young male veterans is unacceptably high. It averaged nearly a third higher than non-veterans (10.7 compared to 8.0) before the 2009 recession. Then things got worse. More than one in five veterans age 18-24 could not find a job between 2009-2012, twice the jobless rate of non-veterans.

Why is this? The best answer came from a look at this 2014 RAND study by David S. Loughran titled, simply, “**Why Is Veteran Unemployment So High?**” He considered five different explanations, but after extensive demographic analysis concluded that the skills mismatch hypothesis, the one Bernanke echoed, has “little support in the available data.” Another theory blames service-related

injuries, but it is also not true. Service related disabilities do keep one in seven veterans out of the labor force, but labor force participation rates are routinely higher, not lower, than civilians. Nor is employer discrimination to blame. The fourth unsubstantiated hypothesis is that ex-soldiers are less innately competent than other Americans. The opposite is true. Soldiers have much higher literacy and IQ scores than civilians, on average.

So why *does* the jobless problem persist?

Loughran concludes the culprit is job search. Young veterans, by definition, leave a stable job and enter what is to them a strange new world — American capitalism. The key evidence is that the unemployment difference between veterans and nonveterans evaporates over time. It decreases by almost half a percentage point each month after the average individual leaves the service.

In short, U.S. military veterans have superior job skills but no job search skills.

Exacerbating the problem are legislative remedies made with the best of intentions. During out-processing, soldiers are strongly encouraged to sign up for unemployment compensation during their first day as a civilian. Yet academic studies show that the unemployment insurance (paying people half their recent salary to not work) raises the national unemployment rate, while also causing skills to atrophy. A smarter program would make jobless benefits more generous, but not allow people to access those benefits until out of work for a month or two. During the 2009 recession, Congress extended the normal 24 weeks of jobless benefits to an unprecedented 99 weeks. Young veteran unemployment skyrocketed.

None of this lets the Admirals and Generals off the hook. It is unrealistic to teach a 10-year enlistee how civilian labor markets work with three days of transition classwork. Ultimately, the Pentagon's centralized control over personnel assignments bears the most responsibility.

Not that long ago, military commanders did the hiring and firing, but that local authority was neutered by the Pentagon, particularly Robert McNamara, Secretary of Defense in the 1960s. Nowadays, every service operates a large personnel center that gives out assignments, with very little career control for those affected. The Army has its 4000-person Human Resource Command at Fort Knox. The Navy's Personnel Command is in Memphis, Tennessee.

If you are a Commander in the Navy, you can be the skipper of a Frigate or a Destroyer, you can oversee hundreds of people, you can have authority to fire vastly powerful weapons of war, but you cannot hire your executive officer. In the Air Force, commanders cannot hire their maintenance officers, let alone their

pilots. In the Army, battalion commanders have almost no say in who gets assigned to lead their companies.

Here's the point: Nobody applies for an open billet in today's military. Nobody does job interviews. Is it any wonder the unemployment rate for veterans is so high when they have never learned the fundamentals of free market job matching? Is it any wonder that sexual predators can flourish in a bureaucratic system where bosses have no say in hiring or firing or reference checks?

To be sure, flag officers can make what are known as by-name requests for specific individuals to be on their staffs, but those are exceptions to the rule. For the commander below flag rank, you take what you are given. It wouldn't be that hard for the services to give each commander three candidates to be interviewed for each direct-report job in their unit. A simple requirement like that would do wonders to enhance job-matching and teach troops how the real world works.

Here is the good news. The fight to restore command authority has been joined by no less than the head of Navy Personnel, the Chief of Naval Operations, and the Secretary of the Navy. The Navy is working on a suite of reform proposals to be submitted to Congress for action next year. President Obama's new secretary of Defense, Ash Carter, has also staked out personnel reform as a top priority, instructing the his acting Under Secretary of Defense for Personnel and Readiness, Brad Carson, to generate a list of proposals for a "Force of the Future." Some of the service chiefs may be more cautious about changing the "up or out" hierarchy or restoring command authority, but there's no reason Congress shouldn't give each branch flexibility as an option.

As for Bernanke, his remarks suggesting military experience is a net negative are based on a misinterpretation of an academic paper by MIT economists Joshua Angrist and Stacey Chen. It is an [interesting paper](#) that compares veterans to non-veterans from the Vietnam war era when soldiers were drafted. The authors conclude that "lifetime earnings consequences of conscription ... have almost surely been negative." Not military service. Conscription. It has no bearing on the men and women who serve today.

When you think about it, our volunteers in uniform defend free markets around the world. It's ironic that commanders and troops are not trusted with free markets to manage themselves. They deserve better.

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