



McCain's EBay Model for Jobs Finds Few Buyers Among Economists

By Hans Nichols

June 24 (Bloomberg) -- **John McCain**'s model for ginning up the economy isn't Keynesian or **Milton Friedmanite**. It's **EBay Inc.**

The presumptive Republican presidential nominee regularly asserts that 1.3 million people worldwide ``make a living off EBay." He holds up the figure as evidence the world's largest Internet auctioneer is a model for job and economic growth.

McCain, seeking to address voter anxiety about the economy, uses EBay to signal that he is ``fundamentally optimistic about the capacity of the U.S. economy to innovate, for that innovation to give new opportunities for jobs," said **Doug Holtz-Eakin**, the candidate's senior economic adviser. ``We shouldn't be obsessed with looking backwards all the time, and saying, `Gee, where did those jobs go?'"

This affection for EBay as an engine for job creation, however, confounds economists such as **Betsey Stevenson**, a professor at the University of Pennsylvania's **Wharton School of Business** in Philadelphia.

``In terms of jobs, there's no net increase in GDP that comes from trading stuff that's already made," said Stevenson, author of a study on the Internet and employment levels. ``New people selling stuff out of their closet on EBay isn't growing the economy."

Secondary Income

Even **Meg Whitman**, EBay's former chief executive who is now a McCain campaign co-chairwoman, sounds a note of caution about the 1.3 million figure, saying it includes those whose primary and secondary sources of income come from the online auctioneer. McCain, an Arizona senator, doesn't always make that distinction.

McCain's EBay model -- ``to trade things that are produced in other countries just to swap them" -- conveys a message ``that America can't produce anything and that's a very dismal view of the U.S. economy," Stevenson said.

For McCain, EBay is proof that American ingenuity, unbound by trade barriers or taxes, can compete in a global economy. It also serves as reminder that there is a technological revolution that is transforming the way Americans work.

``Ask **Meg Whitman** how many there was 10 years ago, when she took over of the CEO of EBay -- it was in the thousands," McCain, 71, said after citing the 1.3 million jobs figure at a town-hall meeting in Westport, Connecticut, on April 9. ``It's called an information-technology revolution, and it's not that much different as far as its effects worldwide as the industrial revolution was."

Silicon Valley Cachet

Talking about EBay also lends McCain's campaign a dash of Silicon Valley cachet, as he campaigns at town-hall meetings and business forums across the country with Whitman, and former **Hewlett-Packard Co.** CEO **Carly Fiorina**, who now heads Victory '08, the Republican National Committee's arm to win the White House.

In an interview, Whitman, 51, said the 1.3 million figure includes 750,000 people in the U.S. who ``make most, if not, all of their living selling on EBay."

McCain ``understands that actually creating a small number of rules, enforcing those rules and not having government trying to solve every problem" is the best way to promote growth, Whitman said. ``That is the lesson of EBay: It is a level playing field."

Entrepreneurial Agenda

Nurturing small business is a central plank of McCain's economic agenda. His economic proposals, from lowering corporate taxes to offering a \$5,000 credit for a family's health-insurance premium, are tailored to encourage entrepreneurship, Whitman said.

Having portable health insurance that isn't coupled to an employer would encourage more entrepreneurs to start their own business, she said.

Whitman said every potential full-time EBay entrepreneur reaches a point when they have to make a decision: ``Can they quit their day job" so that they can ``get to a place where they can come onto EBay and make more money."

Cindy Shebley, author of a soon-to-be-published book, ``How to Market an EBay Business" said many prospective EBay entrepreneurs are recent retirees.

``We have lot of moms and pops who are literally having their business out of their garage," said Shebley, who teaches classes on EBay in Washington state and estimated that approximately 70 percent of her students are retirees.

Many economists accept McCain's view of EBay as a prominent example of 21st century business creativity. Yet they question its value as a model for job creation.

Market for Junk'

``It's an example of good old-fashioned U.S. ingenuity, but selling used products is a limited business model," said **Ethan Harris**, the chief economist at **Lehman Brothers Holdings Inc.** in New York. San Jose, California-based EBay transformed what was an ``incredibly inefficient market for junk and turned it into a very efficient market for junk."

McCain may not accept such criticism. He has shown increasing disdain for any economist who questions his policy prescriptions. Earlier this month, he lashed out at critics of his proposal for a summer gas-tax holiday.

``You know the economists?" McCain said June 12 at Federal Hall, near the New York Stock Exchange.

``They're the same ones that didn't predict this housing crisis we're in. They're the same ones that didn't predict the dot-com meltdown. They're the same ones that didn't predict the inflation that's staring us in the face today."

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