



JEFFERSONIAN GROUP

CHAMPIONS OF FREEDOM AND SELF RELIANCE

Another Fraud On The Public – Government Creates Jobs

March 12, 2014

We often hear that government has created or saved millions of jobs. On October 21, 2012, The New York Times contained an article titled, *The Myth of Job Creation*, in which they discussed the presidential debate between President Obama and Mitt Romney. In particular, they addressed the exchange “about the offshoring of American jobs” where Mitt Romney interrupted President Obama and stated that “Government does not create jobs.”

The New York Times continued, “Except that it does, millions of them—including teachers, police officers, firefighters, soldiers, sailors, astronauts, epidemiologists, antiterrorist agents, park rangers, diplomats, governors (Mr. Romney’s old job) and congressmen (like Paul Ryan).”

The Times ended their article as follows: “The government does not create jobs? It most certainly does. And at this time of state budgetary hardship, a dose of federal fiscal aid to states and localities could create more jobs, in both the public and private sectors.”

On the following day, Professor John T. Harvey, an economist from Texas Christian University, wrote an article for Forbes titled, *Of Course the Government Can Create Jobs!*. His mantra, “I want to explain how things work, not what you should believe.” The professor stated, “Why would someone embrace such a questionable characterization [i.e. that government does not create jobs]? Because their true goal isn’t to generate a scientific understanding of the manner in which the macro-economy operates, but to make a moral statement.”

Professor Harvey’s conclusion: “But, one thing is clear: the government creates jobs, and lots of them. In fact, the private sector needs them to do so. Don’t forget, the rules of accounting tell us that if the government is in deficit, then the private sector must be in surplus . . .” The professor should probably go back and brush-up on his principals of economics and let the accountants explain the “rules of accounting.”

What Professor Harvey and The New York Times are doing is described by the late Dr. Will Durant, a renowned historian awarded the Pulitzer Prize and Medal of Freedom, “Education has

spread, but intelligence is perpetually retarded by the fertility of the simple. . . ignorance lends itself to manipulation by the forces that mold public opinion. It may be true, as Lincoln supposed, that ‘you can’t fool all the people all the time,’ but you can fool enough of them to rule a large country.”

The late Henry Hazlitt explains the problems associated with the creation of jobs by government and the propaganda spewed by the likes of The New York Times and Professor Harvey , in *Economics in One Lesson*. Mr. Hazlitt states, “many of the ideas which now pass for brilliant innovations and advances are in fact mere revivals of ancient errors, and a further proof of the dictum that those who are ignorant of the past are condemned to repeat it.”

In Chapter I, *The Lesson*, Mr. Hazlitt explains, “certain public policies . . . would benefit one group only at the expense of all other groups. The group that would benefit by such policies, having such a direct interest in them, will argue for them plausibly and persistently. It will hire the best buyable minds to devote their whole time to presenting its case. And it will finally either convince the general public that its case is sound, or so befuddle it that clear thinking on the subject becomes next to impossible.” Mr. Hazlitt continues, “In addition to these endless pleadings of self-interest, there is a second main factor that spawns new economic fallacies every day. This is the persistent tendency of men to see only the immediate effects of a given policy, or its effects only on a special group, and to neglect to inquire what the long-run effects of that policy will be not only on that special group but on all groups. It is the fallacy of overlooking secondary consequences. In this lies the whole difference between good economics and bad. The bad economist [e.g., Professor Harvey] sees only what immediately strikes the eye; the good economist also looks beyond.”

Mr. Hazlitt explains in Chapter IV, *Public Works Mean Taxes*, why government does not create or add any new jobs. His example is a bridge costing \$10 million resulting in taxpayers losing \$10 million that they could have spent on other things that they needed most. “Therefore,” wrote Mr. Hazlitt, “for every public job created by the bridge project a private job has been destroyed somewhere else. We can see the men employed on the bridge. We can watch them at work. The employment argument of the government spenders becomes vivid, and probably for most people convincing. But there are other things we do not see, because, alas, they have never been permitted to come into existence. They are the jobs destroyed by the \$10 million taken from the taxpayers. All that has happened, at best, is that there has been a diversion of jobs because of the project. More bridge builders; fewer automobile workers, television technicians, clothing workers, farmers.”

“But then we come to the second argument. The bridge exists.” Mr. Hazlitt continues, “It is, let us suppose, a beautiful and not an ugly bridge. It has come into being through the magic of government spending. Where would it have been if the obstructionists and the reactionaries had had their way? There would have been no bridge. The country would have been just that much poorer. Here again the government spenders have the better of the argument with all those who cannot see beyond the immediate range of their physical eyes. They can see the bridge. But if they have taught themselves to look for indirect as well as direct consequences they can once more see in the eye of imagination the possibilities that have never been allowed to come into existence. They can see the unbuilt homes, the unmade cars and washing machines, the unmade

dresses and coats, perhaps the un-grown and unsold foodstuffs. To see these uncreated things requires a kind of imagination that not many people have. We can think of these nonexistent objects once, perhaps, but we cannot keep them before our minds as we can the bridge that we pass every working day. What has happened is merely that one thing has been created instead of others.”

Government is incapable of creating any net new jobs; at best, any job created by government in the private sector destroys another job in a different industry, which results in government picking winners and losers. And, any job created in government or the public sector, not only displaces private sector jobs, but, continues to destroy wealth through taxation to pay for the wages, benefits, and retirement programs for government employees.

There is a famous story about Nobel Laureate Dr. Milton Friedman, which illustrates the absurdity of job creation by government. Dr. Friedman was touring “a giant Chinese infrastructure project of some kind, in which the workers were using old-fashioned shovels and picks and wheelbarrows. Curious, Friedman asked his guide why they weren’t using bulldozers and other heavy machinery. The answer was: ‘We care about creating jobs for our people.’ To which Friedman responded: ‘Then why not use spoons?’”

Excessive government regulation and taxation puts a strangle-hold on the creation of private sector jobs and wealth. As stated by Lawrence W. Reed, “central planning [e.g., government programs to create jobs,] is an exercise in arrogance and futility. . . .” Because government has gotten into the business of determining winners and losers, we are no longer governed by *the rule of law*—we are governed by men. If we could get Hazlitt’s book, *Economics in One Lesson*, into our public schools and in the hands of most voters, we may be able to vote out-of-office the politicians with “good intentions and good will who wish to reform us” through central planning, thereby destroying our wealth and impoverishing our nation.

Dum spiro, spero—While I breathe I hope.

-Robert G. Beard, Jr., J.D., LL.M., C.P.A.