Top Economists Tell How to Grow Jobs

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Now that the Senate has officially and resoundingly defeated President Obama's jobs bill (The American Jobs Act), the question remains: just how do real jobs grow?

Matt Welch, writing in the November issue of *Reason* magazine, reminds his readers of what doesn't work: government promotion of ideology. The Solyndra debacle is the most recent but not the only example. In May 2010 the President gushed over the positive impact Solyndra was having in growing jobs in the "green" sector:

> We invested … in clean energy because not only would this spur hiring by businesses but it creates jobs in sectors with incredible potential to propel our economy for years, for decades to come. And we can see the positive impacts right here at Solyndra…
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> Since ground was broken last fall, more than 3,000 construction workers have been employed building this plant. … When it's completed in a few months, Solyndra expects to hire 1,000 workers to manufacture solar panels and sell them across the country and around the world. And this in turn will generate business for companies around our country who will create jobs, supplying this factor with parts and materials.

That plant is now idle. The company is bankrupt. The taxpayers are eating hundreds of millions of dollars in losses. The construction workers have been laid off, along with the Solyndra workers. The parts and materials suppliers haven't created jobs, and the solar panels that were to be sold "across the country and around the world" never got off the ground.

Putting aside the very reasonable argument that the government has no business trying to create jobs in the first place (it's not in their "job description"), the government simply cannot create jobs. It's hard enough for an entrepreneur, risking his own money, to make all the right decisions which lead to a successful business that needs to hire workers, not to mention asking a government of bureaucrats, spending other people's money, to make those same successful decisions.

In fact, every bill is a jobs bill — a jobs *elimination* bill — when it mandates business regulations, intrusions, and requirements which remove incentives for that same entrepreneur to make the effort in the first place. When looked at closely, a job is simply an agreement between a willing offerer and a willing employer. Anything that comes between them and tries to force, or restrict, such an agreement, will eliminate jobs and not expand them.

It's impossible for governments to create jobs, says John Stossel. All government does is take capital from those who have successfully employed it and give it to someone else who hasn't. Says Stossel, "It's individuals in the marketplace who create real jobs — when they have the protection of life and property under the rule of law" (which is government's real — and only — job description).

Stossel recently hosted a debate between a Keynesian and an Austrian on how to create jobs. Leading off was the Keynesian, David Callahan, cofounder of Demos:

> Government can spend and create jobs. If government steps up and provides stimulus money to hire people, what we get is more people spending money in this economy, more hiring, and we get that virtuous cycle going.

Yaron Brook, the Austrian from the Ayn Rand Institute, replied:

> It is ridiculous to assume you can tax the people that are working and give the money (to people) who are not working and somehow this creates economic activity. You are destroying as much by taking from those who are working and creating.

Callahan demurred, responding instead:

> One place we need more government spending is for infrastructure. Drive down any road, go across any bridge, you are likely to see dilapidation. There was a bipartisan panel that said we need to spend $2 trillion or more on infrastructure.

Brooks rejoined:

> Don't pretend that stimulates the economy. That money has to come from somewhere. That $2 trillion that you would want to spend on infrastructure is taken from the private economy.

Keynesian Callahan answered:

> This is a fallacy. Twenty million jobs were created in the 1990s when we had higher tax rates than we do today. After World War II — also a period of high tax rates, also incredible job growth.
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> World War II was the great stimulus. … That kind of external crisis can inject a lot of new capital.

Patiently, Brooks explained:

> This is one of the worst fallacies of economics. This is called the broken-window fallacy.
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> World War II did nothing to promote economic growth. Blowing things up is not an economic stimulus. Destruction does not lead to progress.

In August *Reason* magazine asked a number of their contributors for real ideas about how to create real jobs in today's economy.

Robert Higgs, senior fellow at the *Independent Institute*, was firm and concise: "Repeal ObamaCare … this situation creates tremendous uncertainty [and] a great benefit would be the removal of an ominous cloud of uncertainty about a critical matter that now hands over the entire labor market."

Deirdre McCloskey, economics professor at the University of Chicago, said, "Eliminate the minimum wage law. The resulting boom for young people will amaze."

Amity Shlaes, author of *The Forgotten Man*, suggested returning to the gold standard "so that monetary policy is rules-based, not personality-based."

John Stossel was more forthright: "Close the departments of Labor, Commerce, Agriculture, Energy, and HUD, [and] then eliminate three fourths of all regulations."

Donald Boudreaux, professor of economics at George Mason University, replied, "Eliminate capital gains taxes," and don't allow personal or corporate tax rates to exceed 20 percent.

Jeffrey Miron, professor of economics at Harvard University, said, "Policymakers…should focus on eliminating economic policies that impede economic efficiency: runaway entitlements, a horrendous tax code, excessive regulation, impediments to free trade...and then let the job situation fix itself."

John Berlau, director at the Competitive Enterprise Institute, responded, "Repeal … last year's Dodd-Frank Wall Street Reform and Consumer Protection Act, which has created hundreds of pending rules causing uncertainty and a halt in hiring…"

Ira Stoll, founder of FutureofCapitalism.com, said, "Congress should stop extending unemployment benefits [and] change the system so it creates an incentive for recipients to get a job, rather than an incentive for them to remain unemployed."

Fred Smith, president of the Competitive Enterprise Institute, urged, "Approve the Keystone XL Pipeline: 20,000 jobs created … the $7 billion project would roughly double U.S. imports of tar sands oil from western Canada."

In all, some of the smartest people who know how the economy really works made common-sense suggestions which amount to nothing more than getting government back to minding its own proper business, so that the market can create the jobs the economy requires without government interference.