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Actually, "The Rich" Don't "Create Jobs," We Do.

by DAVE JOHNSON on MAY 13, 2011 · [LEAVE A COMMENT](#)

You hear it again and again, variation after variation on a core message: if you tax rich people it kills jobs. You hear about "job-killing tax hikes," or that "taxing the rich hurts jobs," "taxes kill jobs," "taxes take money out of the economy, "if you tax the rich they won't be able to provide jobs." ... on and on it goes. So do we really depend on "the rich" to "create" jobs? Or do jobs get created when they fill a need?

Here is a recent typical example, [Obama Touts Job-Killing Tax Plan](#), written by a "senior fellow at the Cato Institute and chairman of the Institute for Global Economic Growth,"

Some people, in their pursuit of profit, benefit their fellow humans by creating new or better goods and services, and then by employing others. We call such people entrepreneurs and productive workers.

Others are parasites who suck the blood and energy away from the productive. Such people are most often found in government.

Perhaps the most vivid description of what happens to a society where the parasites become so numerous and powerful that they destroy their productive hosts is Ayn Rand's classic novel "Atlas Shrugged." ...

Producers and Parasites

The idea that there are producers and parasites as expressed in the example above has become a core philosophy of conservatives. They claim that wealthy people "produce" and are rich *because* they "produce." The rest of us are "parasites" who suck blood and energy from the productive rich, by taxing them. In this belief system, We, the People are basically just "the help" who are otherwise in the way, and taxing the producers to pay for our "entitlements." We "take money" from the producers through taxes, which are "redistributed" to the parasites. They repeat the slogan, "Taxes are theft," and take the "money we earned" by "force" (i.e. government.)

Republican Speaker of the House John Boehner echoes this core philosophy of

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Actually, "The Rich" Don't "Create Jobs," We Do.

“producers” and “parasites,” [saying yesterday](#),

I believe raising taxes on the very people that we expect to reinvest in our economy and to hire people is the wrong idea,” he said. “For those people to give that money to the government...means it wont get reinvested in our economy at a time when we’re trying to create jobs.”

“The very people” who “hire people” shouldn’t have to pay taxes because that money is then taken out of the productive economy and just given to the parasites — “the help” — meaning you and me...

So is it true? Do “they” create jobs? Do we “depend on” the wealthy to “create jobs?”

Demand Creates Jobs

I used to own a business and have been in senior positions at other businesses, and I know many others who have started and operated businesses of all sizes. I can tell you from direct experience that I tried very hard to employ *the right number of people*. What I mean by this is that when there were lots of customers I would add people to meet the demand. And when demand slacked off I had to let people go.

If I had extra money I wouldn’t just hire people to sit around and read the paper. And if I had more customers than I could handle *that* — the revenue generated by meeting the additional demand from the extra customers — is what would pay for employing more people to meet the demand. It is a pretty simple equation: **you employ the right number of people to meet the demand your business has.**

If you ask around you will find that *every* business tries to employ *the right number of people to meet the demand*. Any business owner or manager will tell you that they hire *based on need*, not on how much they have in the bank. (Read more here, in last year’s [Businesses Do Not Create Jobs](#).)

Taxes make absolutely no difference in the hiring equation. In fact, paying taxes means you are already making money, which means you have already hired the right number of people. Taxes are based on subtracting your costs from your revenue, and if you have profits after you cover your costs, then you might be taxed. You don’t even calculate your taxes until well after the hiring decision has been made. You don’t lay people off to “cover” your taxes. And even if you did lay people off to “cover” taxes it would lower your costs and you would have more profit, which means you would have more taxes... except that laying someone off when you had demand would cause you to have less revenue, ... and you see how ridiculous it is to associate taxes with hiring at all!

People coming in the door and buying things is what creates jobs.

The Rich Do Not Create Jobs

Lots of regular people having money to spend is what creates jobs and businesses. That is the basic idea of demand-side economics and it works. In a consumer-driven economy designed to serve *people*, regular people with money in their pockets is what keeps everything going. And the equal opportunity of democracy with its reinvestment in infrastructure and education and the other fruits of democracy is fundamental to keeping a demand-side economy functioning.

When all the money goes to a few at the top everything breaks down. Taxing the

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people at the top and reinvesting the money into the democratic society is fundamental to keeping things going.

Democracy Creates Jobs

This idea that a few wealthy people — the “producers” — hand everything down to the rest of us — “the parasites” — is fundamentally at odds with the concept of democracy. In a democracy we all have an equal voice and an equal stake in how our society and our economy does. We do not “depend” on the good graces of a favored few for our livelihoods. We all are supposed to have an equal opportunity, and equal rights. And there are things we are all entitled to — “entitlements” — that we get *just because we were born here*. But we all share in the responsibility to cover the costs of democracy — **with the rich having a greater responsibility than the rest of us because they receive the most benefit from it**. This is why we have “progressive taxes” where the rates are supposed to go up as the income does.

Taxes Are The Lifblood Of Democracy And The Prosperity That Democracy Produces

In a democracy the rich are supposed to pay more to cover things like building and maintaining the roads and schools because these are the things that enable their wealth. They actually do use the roads and schools more because the roads enable their businesses to prosper and the schools provide educated employees. But it isn't *just* that the rich use roads more, it is that *everyone has a right to use roads and a right to transportation* because we are a democracy and everyone has the same rights. And as a citizen in a democracy you have an obligation to pay your share for that.

A democracy is supposed have a progressive tax structure that is *in proportion to the means to pay*. We do this because *those who get more from the system do so because the democratic system offers them that ability*. Their wealth is because of our system and therefore they owe back to the system in proportion. (Plus, history has taught the lesson that great wealth opposes democracy, so democracy must oppose the accumulation of great, disproportional wealth. In other words, part of the contract of living in a democracy is your obligation to protect the democracy and high taxes at the top is one of those protections.)

The conservative “producer and parasite” anti-tax philosophy is fundamentally at odds with the concepts of democracy (which [they](#) proudly [acknowledge](#) – see more [here](#), and [here](#)) and should be understood and criticized as such. Taxes do not “take money out of the economy” they *enable* the economy. The rich do not “create jobs, **We, the People create jobs**.”

This post originally appeared at Campaign for America's Future (CAF) at their Blog for OurFuture. I am a Fellow with CAF.

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Dave Johnson (Redwood City, CA) is a Fellow at Campaign for America's Future, writing about American manufacturing, trade and economic/industrial policy. He is also a Senior Fellow with Renew California. Dave has more than 20 years of technology industry experience including positions as CEO and VP of marketing. His earlier career included technical positions, including video game design at Atari and Imagic. And he was a pioneer in design and development of productivity and educational applications of personal computers. More recently he helped co-found a company developing desktop systems to validate carbon trading in the US.



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