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Employment Issues

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PRESIDENT OBAMA'S JOBS ERRORS

President Obama has failed spectacularly on his promise to deliver jobs. What were his biggest mistakes, asks Daniel J. Mitchell, a senior fellow with the Cato Institute.

Let's start with two commonsense observations:

- Businesses are not charities; they only create jobs when they think that the total revenue generated by new workers will exceed the total cost of employing those workers.
- Also, it takes money to create jobs; more specifically, labor isn't very useful or productive unless investors are providing capital.

Businesses have plenty of extra cash -- the key issue is whether companies have a reason to invest. In other words, if they start spending money and hiring workers, will they make money?

Unfortunately, almost everything Washington's done the last 18 months has sent the opposite message, says Mitchell:

- The "stimulus" boosted federal spending, thus draining funds from private-capital markets and diverting resources from the productive sector of the economy; the main jobs that it "saved" were employees of state and local governments -- shielding the public sector from pain even as it inflicted more agony on the private sector.
- The health care law is a cornucopia of new taxes, mandates and regulations -- directly increasing the cost of hiring new employees (as well as of keeping old ones on); by telling employers that the cost of hiring is set to rise sharply in the years ahead, it makes them far more cautious about hiring.
- The new bailout legislation, though labeled "financial reform," raises costs for financial firms, meaning loans will be more expensive; that is, investing in that truck or computer for that new hire will cost you more.

Investors, entrepreneurs and other job creators also look into the future. But what's happening in Washington gives them little reason to feel optimistic. A big challenge is that tax rates are going to rise, says Mitchell:

- The 2001 and 2003 tax cuts are scheduled to expire and this means higher income-tax rates, higher dividend tax rates, more double taxation of capital gains and a reinvigorated death tax.
- Each provision will increase the cost of productive behavior and specifically make it more expensive to provide the capital needed for job creation.

Source: Daniel J. Mitchell, "O's jobs errors," New York Post, July 22, 2010.

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http://www.nypost.com/p/news/opinion/opedcolumnists/jobs_errors_HhM8thFjyVk9R4TvVatPCN/0

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