

## Job creation

I find it funny that no one in politics seems to know what it takes to create jobs in the private sector.

To start taxes levied on business owners has little to do with it. Because taxes are levied on profits after expenses. While the cost of workers is a tax deductible expense. The more workers an employer hires, the less taxes they pay.

What about the argument that taxing profits harder discourages people from creating jobs. Actually, as long as the taxes are not retrogressive, taxes are neutral. On one hand, most entrepreneurs once they make enough for a really good standard of living, are not motivated by money. They are motivated by the power that goes along with running an enterprise. And that power is expressed in gross sales, head count and many other things.

As long as they can live well above the average, the amount paid in taxes is not important. After all when taxes were higher in the 50s, 60s, etc, there was no shortage of people who created jobs

As well all larger companies are managed by employees. Those managers get their salary and a bonus depending on many things. But most of them do not make any more if the company or shareholders pay more taxes. The taxes simply do not come into the equation except for trying to minimize them.

There is one reason and one reason only for an employer to layoff or hire people. That is a change in demand for the goods and/or services produced by that company. If the demand for these goods and/or services falls, a company will let employees go to avoid losing money.

To hire more people, the demand for a company's goods and/or services has to increase by an amount larger than the current number of workers can produce.

Tax breaks mean nothing as you can take taxes all the way to zero and if demand has not increased, no company will hire a single employee.

Where does demand come from?

The consumer – When people buy goods and services so they can live their lives.

Business Investment – To provide more goods and services to the other areas of demand

Government – For the military, by building infrastructure, through social transfers and the overhead of running the government.

Foreign trade – Consumers, business and government in other countries.

In more detail:

Consumer demand - In the business climate of 2011, the public has been scared stiff by a steady diet of bad news that their wallets have slammed shut. Demand has dropped as everyone is terrified they may lose their job. And a large percentage have lost their income and many more are underemployed. Consumer demand is way down both domestically and elsewhere in the world.

Business Investment – This does not occur unless business feels the additional production will be sold. In 2011 this confidence is not there and investment is way down.

Foreign Trade – Since the rest of the world seems oriented to making stuff and selling it to the USA and Canada and the big supplier China cannot think of enough to buy from us that they have accumulated over a trillion dollars this demand is not enough to make a major difference. Please China, come and buy some stuff from us so we can earn that money back.

Government – This leaves the government as the last engine of demand in the economy. The wars in Iraq and Afghanistan are huge job creation engines. As is the building of infrastructure. Social transfers to the unemployed and elderly allows them to demand goods and services. But there are people out there who want the government to greatly reduce spending, wiping out the last source of demand in the US economy.

There is one way to create jobs. The public has to be made confident that their incomes will not be interrupted. So that the demand side of the economic equation can be restored. We need the spirit changed to one of optimism. Where people can feel good about spending a dollar or three.

We need the employment rate to be called 91% employment, not 9% unemployment. We need the government be allowed to spend in these times so their revenues can increase to cover the cost.

The biggest thing is to just get rid of the doom and gloom attitude we get from the media.

As for government revenue, there are those who say that there is no money. This means they are ignorant of macroeconomics. They are thinking of the way money works for them on the microeconomic level.