

Does Government Encourage Job Creation?

A small group of us are living on an island getting along just fine. We must all work to survive. Work includes hunting, farming, and gathering food and fuel for our sustenance, fires, shelter, and safety. We advanced over the years by specializing in the production of goods and services that each of us performed best via division of labor that was motivated by free-trade...

One evening we were all sitting around the community fire and our leader, KeynesiSuck, wanted to *encourage all of us to grow our island economy by increasing the goods and services we were consuming*. KeynesiSuck's son, NesianSuck, was soon to be working age and KeynesiSuck was concerned NesianSuck would not have a job.

The Keynesian Solution?

All of the island community was enthralled about KeynesiSuck's idea. If we all agreed to consume more, then NesianSuck would certainly find a job resulting from the increased demand for the goods and services we were producing.

Suddenly the always skeptical Dipsheet asked the group: "If we all consume more, then from where do these incremental goods and services come?" KeynesiSuck replied: "If we consume more, we will reduce our inventory of goods on hand temporarily. Then, we will be motivated to hire NesianSuck to produce more." For the moment, nearly all applauded Keynes' response except...

What About Creditworthiness?

Dipsheet's brother, Dumbsheet, challenged: "I don't have any extra inventory of goods, KeynesiSuck. I operate on a just-in-time inventory system. I don't produce any additional goods for NesianSuck or any of the other Sucks to consume unless they have something in exchange for my goods." KeynesiSuck was appalled and scornful of Dumbsheet. He said: "Why would you not extend credit to NesianSuck for a few of your goods?" Dumbsheet replied: "He has not established any creditworthiness. If you recall, **you** never paid me back for the goods I supplied you years ago. So, I doubt you have taught NesianSuck the virtues of being a responsible creditor." KeynesiSuck wanted to know how to do that.

Smartsheet perked up and explained we all had to learn to **work first** and produce something which might have a demand for consumption. Years ago we began by **working** to pick some berries and grapes for our own survival. Once we learned this survival technique, we advanced into work specialization (division of labor) and free trade. Through this process we all increased our output efficiencies, then enjoyed a higher standard of living due to the resulting productivity increases.

KeynesiSuck said: "You mean someone has to produce a good or service before it can be consumed?" Smartsheet replied, "Yes, production must come first. On our island we have advanced to a modern division of labor where all of us produce what we individually produce best. Further, we have established a stable credit system where an individual who desires credit for consuming everyday goods and services can readily obtain it before his crop of corn, for example, is harvested. That's because he has honorably and judiciously paid back his creditors in the past. In that case other producers supplying

the corn farmer with goods and services on credit have confidence they will be repaid in full, plus interest. The farmer first established a work ethic, a demonstration of producing something of value, hence a creditworthiness that emboldened his creditors to produce additional inventories of goods or capital stock capacity to provide services than they otherwise would not have done. Those extending the credit enjoyed receiving additional corn greater in value than the goods they loaned the farmer in the first place, which we refer to as interest. This interest compensated them for waiting.”

Why Advance Our Standard of Living?

The enlightened KeynesiSuck thought: “Gee, if we all agreed to consume more, then don’t we really mean we must produce more first so we don’t deplete inventory to unsafe levels? I guess you’re right, Smartsheet. But, why would we want to produce more, if we’re consuming all we produce today, and satisfying all of our needs?” Smartsheet replied: “Some of us prefer not to have paltry servings of food each day, smoke getting in our eyes, and shelter in a leaky Tee-Pee, and we are willing to work for a better life-style.”

Smartsheet stated: “NesianSuck has two options:

1. Work to produce food, fuel, and shelter for himself, or
2. Work for Brightsheet, an entrepreneur, who has a wonderful productivity-improvement idea and needs some extra help. Brightsheet found and trained a bull to pull a plow he built by working in his spare time. He calculated that he could produce four times as much corn, if he had the help of one extra laborer. Brightsheet will pay a good laborer 1 ½ times what he would yield by hand-tilling a crop on his own. He would keep 2 ½ times his crop because he wanted more to consume himself and some extra to barter for other goods.”

Liberty is NOT Fair!

KeynesiSuck said that’s not fair. Brightsheet is being overpaid and selfish for producing more than he needs. Smartsheet retorted: “No one was paying him anything.” He was producing what he wanted, which was more than some others, and was offering an improvement in NesianSuck’s standard of living where he was free to make a choice.

Smartsheet told KeynesiSuck that his son really has a third option... He could stay in his daddy’s Tee-Pee and live off of his produce. KeynesiSuck rejected that idea because he was growing tired of feeding and cleaning up after his spoiled kid. He began to seriously reflect upon his failure to convey a few basic principles like: Work first and play later, establish creditworthiness before expanding your credit requests, live within one’s means, and respect the individual rights of others to their own property, and enjoy liberty.

Long-Term Prospects for Liberty...

The concept of producing more than one plans to consume (i.e. saving or producing capital stock that will improve productivity) feeds upon itself such that the creditors (savers) continue building confidence where they will be paid back with interest, and learn to enjoy the benefits of saving.

KeynesiSuck also learned that charity must be offered by an individual's own free will. KeynesiSuck observed numerous times where the community banded together to aid those who were unable to help themselves. He also observed that charitable causes funded by government seemed to grow unchecked each year because the system of coercion and transfer of wealth was popular. It seems people liked the idea of getting something for nothing, which angered those "giving" something for nothing.

Conclusion:

KeynesiSuck concluded the concept of producing before consuming made sense. He decided that government should NOT encourage more consumption because each island inhabitant **naturally** wanted more goods and services than they were producing and did not need any extraordinary appeal from government to help them want more. He learned that creditworthiness must be earned by each individual rather than having government encourage excess debt through excess consumption and setting up the community for a systemic breakdown when those who did not repay their loans actually enraged those who extended credit.

He deduced that government should encourage more PRODUCTION by limiting the barriers it tends to create, and reduce the goods, services, and resources it coerces for wealth transfer schemes and its own consumption. Hence, if one decides to produce more, he will be able to keep most of the incremental fruits of his labor. The only lasting means for job creation is embracing a government role that remains extremely limited in size and scope. That is the only way for government to encourage job creation!

He also concluded that the freedom to produce more should be the right of any individual. Further, anyone willing to produce more and loan some to others must have confidence in them enough to overcome the risks of a loan default. If the repayment is not forthcoming, it is equivalent to theft and the violator must face consequences that will either make the creditor whole, or suffer punishment or restrictions that will change his harmful behavior. This credit-default consequence system must be strong enough to maintain the creditor's confidence, or the creditor(s) will quickly and pervasively retract their willingness to extend credit when they sense a systemic collapse in confidence is imminent. (P.S. We're there right now on global scale!!)

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