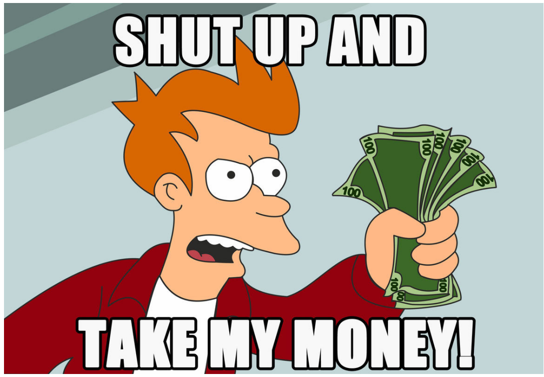
personal english

Topic of the Month #19

The Real Job Creators



Many believe that economic recovery would follow if only we relieved the **terrible burden that the government has placed on the nation's job creators: business**. Were **taxes** and **regulations** relaxed, this would reduce costs sufficiently to allow firms to do what they are already dying to do, which is **expand operations**. Yet, even if we grant the argument that business taxes and regulations are high, such an analysis ignores two crucial facts. The former is that **employees are the most significant cost faced by firms**. In consequence, every rational entrepreneur's goal is to reduce the number of workers they have to pay. The latter is that, no matter how much you lower costs, **if you don't have more customers, you can't afford to hire more workers.** If the demand for goods and services remains unchanged and we only cut industry taxes and regulations, there is absolutely no reason to think that firms will be able expand employment in the short-term future. By contrast, if we left taxes and regulations untouched but increased the demand, entrepreneurs would be able (as well as willing and happy) to add workers. **The real job creators are consumers.** In consequence, **the key to reducing unemployment may lie in boosting the demand, not in reducing costs.**

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