

## The High Cost Of Treading Water

For anyone who missed Obama's September 8 jobs speech, NationalReview.com's Yuval Levin summarized it quite nicely: "Spend \$450 billion dollars now, it will create jobs, and I'll tell you how I'm going to pay for it a week from Monday. If you disagree, you want to expose kids to mercury."

There was a lot to dislike in Obama's speech—from his arrogance, his confrontational approach, his straw man and false choice arguments, and his Malcolm X-like hissing ("Members of Congresssss..."), to his blatant errors (Note to Barry: Abraham Lincoln was *not* the founder of the Republican Party) and flagrant lies ("Everything will be paid for..."), but for me one of the thug-in-chief's proposals stood out. Obama called for a \$4,000-per-employee business tax credit for each worker hired who has been out of work for at least six months. The cost of that proposal is estimated at \$8 billion, which suggests Obama believes it will prompt 2 million workers to be hired (\$8 billion divided by \$4,000).

His two-million-new-hires assumption is absurd on its face. To expect businesses to hire workers *they do not need* simply to gain a \$4,000 tax credit is ludicrous, because the cost of wages, benefits, and taxes for each worker far exceeds \$4,000. Businesses that were planning on hiring a few workers will of course receive the tax credit, but that would be a waste of \$4,000 in taxpayer dollars. (Why bribe a company to do something it was going to do anyway?) But no business owner will say, "Let's see... with sales as low as they have been and our inventories as high as they are, I certainly don't need any more warehouse workers—especially because they cost me \$60,000 per year in wages, benefits, and taxes. But if I can offset my \$60,000 loss with a \$4,000 tax credit, well, heck, that makes a lot of sense because then I'll only be \$56,000 in the hole! Yep, I think I'll put up a help wanted sign immediately!"

Obama's \$4,000 credit will have consequences that are unanticipated by those who have little understanding of economics or reality (that is, liberals). For example, a company that may be planning on hiring 10 new workers in the immediate future will *postpone* those hirings until the tax credit is approved by Congress and signed into law, in order to obtain the \$40,000 in tax credits. That will have the effect of *delaying* economic recovery. At least in the short run, *Obama has made it more difficult for the unemployed to find jobs*. (I don't seem to recall that being mentioned in the post-speech "analysis" of Rachel Maddow, Ed Schultz, Al Sharpton, Larry O'Donnell, or Robert Gibbs.)

Further, the \$4,000 tax credit will apply only to new employees who have not worked for at least six months. Thus, if a company wants to hire a new computer programmer, it may give preference to someone who has been out of work for a long time over someone who recently lost his job—because the \$4,000 credit will not apply in the latter case. This will have the effect of rewarding those who are less industrious than those who, faced with losing their full-time job, made ends meet with part-time employment rather than stay home and watch daytime television. Mike lost his full-time job six months ago and chose

to collect unemployment benefits rather than accept a “lesser” job. Amanda lost her full-time job one year ago but has worked as many part-time jobs as she could in order to make ends meet while she seeks a more permanent job. Obama’s policy rewards Mike and punishes Amanda.

In addition to paying employers \$4,000 to hire the long-term unemployed, Obama wants to extend emergency unemployment compensation. That is, he wants to pay people not to work at the same time he wants to pay businesses to hire them.

Contemplating Obama’s proposal a bit further, it does not take much imagination to predict that, in the case of low-skilled workers who require only minimal training, some businesses will be tempted to fire employees only to immediately replace them with an unemployed person who will provide the \$4,000 tax credit. Jake the janitor will be fired; Sam will be hired as the new janitor; and the company will collect a \$4,000 tax credit. Even worse, the taxpayers will have shelled out \$4,000 to “create a job”—*even though the number of workers will remain unchanged*. (Rest assured that Obama will count Sam as a job he “created or saved,” while Jake will be ignored by the White House and all the media toadies.)

One can also expect that more than a few employers may take advantage of the tax credit by hiring minimum wage workers for \$7.25 per hour and then, six months later, firing them—after the \$4,000 tax credit has effectively allowed the company to obtain a temporary worker for \$3.40 per hour, with the taxpayers picking up the difference. No company will play a fire-and-hire game with well-paid positions that require significant training, but for bottom-rung jobs Obama is providing an incentive to do so.

The \$4,000 credit is increased to \$5,600 for returning veterans and \$9,600 for returning wounded veterans. (Like the \$4,000 credit, the business must keep the employee on the payroll for six months to receive the credit.) If a wounded veteran is hired at \$7.25 per hour, he would be paid \$7,540 over six months (26 weeks times 40 hours per week times \$7.25 per hour). One can imagine a business hiring a wounded veteran for six months just to pocket the \$2,060 difference (\$9,600 minus \$7,540), and then replacing him with another wounded veteran. Even if the veteran does nothing to earn his wages the employer can pick up \$2,060—at taxpayer expense. (Obama could just as easily have proposed sending every wounded veteran a check for \$7,540 every six months and saved the taxpayers \$2,060 per veteran. This is not to suggest that businesses should not hire the unemployed, veterans or not, it is simply to point out that it is foolish to bribe businesses to hire workers they do not need. As soon as the bribe expires the workers will be let go.)

It may be difficult to see how Obama can believe that a few thousand such people hired in early 2012 and fired in mid-2012 can improve his chances of reelection. But Obama’s goal is not “saving or creating” jobs. Obama’s goal is reelection.

To help achieve his goal of four more years in the White House, Obama must do what he can to temporarily delay the “official” start of another recession by keeping the nation’s Gross Domestic Product growth above zero—even if it is only barely above zero. A

recession is declared if the Gross Domestic Product is less than zero for two consecutive months. Regardless of the number of unemployed, desperate Americans, if growth does not dip below zero the “powers that be” will not call it a recession. Obama knows his chances of reelection are fading; he knows the unemployment rate will still be at least 8 percent on election day; and he knows he faces an uphill battle to remain in the White House. He also knows that if the headlines shout “Double-Dip Recession!” he will be packing his bags and heading back to his Chicago mansion—where Michelle might not have a spare bedroom set aside for Reggie Love.

Obama’s jobs speech had no new ideas and few good ideas. But if he needs to borrow and spend \$447 billion to avoid an official recession and keep from sinking further in the polls, he will do so. He doesn’t care what it costs, because it’s not his money. His speech was not a call for job creation; it was a call for the taxpayers to throw him a life preserver.

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