

Paying twice to feed the 'poor'

In the last couple of years the government has been providing the Chrysler Corp. with "loan guarantees" that amount to well over a billion dollars. (I prefer to call them subsidies, since I doubt very much that they will ever be repaid.) What is the economic illiteracy that supports this legislative buffoonery? We are informed by the learned bureaucrats that it is necessary to keep Chrysler afloat in order to "provide jobs." If Chrysler goes belly-up, we are told, thousands of jobs will disappear.

This is a fallacy of the utmost proportions. Subsidies are funded from government revenue, which is in its turn extorted from the taxpayers. If these subsidies were eliminated, consumers would have that much more money to spend on other commodities which, as a consequence, would lead to increased production and therefore higher employment in the industries that consumers choose to patronize with their extra earnings. If individuals chose to save instead of spend, this would still lead to higher employment — this time in the industries where the banks invest their funds.

In short, if the government were to stop bailing out Chrysler, some jobs in the auto industry might cease to exist — but there would be just as many job openings available in other sectors of the economy that would not have been otherwise. It is obvious, then, that the (ir)rationality that calls for loans and

subsidies to "provide jobs" is claptrap to the core, since in reality it doesn't.

As a matter of fact, subsidies to Chrysler (or anybody else) end up insuring that there will fewer jobs available in the economy as a whole, due to the fact that capital is being forcibly shifted from the more efficient producers to the less efficient. This means that total productivity will decline — and fewer jobs will then be available.

The same argument also applies itself to import quotas. The politicians (whom I much prefer to call idiots) that are in favor of the imposition of import quotas on Japanese autos state that this would stimulate our domestic auto production, thereby creating more jobs. And this is true enough. Let us, however, study the picture in its entirety. If the Japanese sell us fewer cars, then it therefore follows that they will have on hand that much less American currency with which they would otherwise have bought our exports with. This in turn would lead to a drop in productivity in the industries where the Japanese would have spent their extra dollars — which means fewer jobs.

In brief, once more, the jobs balance out — with, however, the same effect that resulted from government subsidies. Capital is once more being shifted from the more efficient pro-

ducers to the less efficient — thereby lowering overall productivity, which in turn means a decrease in the standard of living.

Thus, as in so many other instances of government intervention, the exact opposite of the stated goal is achieved. Instead of providing jobs, subsidies and import quotas eliminate them, thereby making all of us that much poorer.

The thing that allows this economic emptyheadedness to occur, is the fact that people are looking at the short-term effects on one industry, without examining the long-term effects on all industries. Once this is done, it is obvious to anybody with a grain of intelligence that subsidies and import quotas cause much harm and distortion to the functioning of our economy — and that the way to correct the problem is to eliminate the interventionist policies being espoused by those bozos in Washington.

In one respect, today's defenders of freedom have it much tougher than the founders of America; when they rejected unlimited government, the statists were in England on the other side of the Atlantic. Now — they are all over here. And still worse, they are in our government, using political guns to back up their bankrupt policies. Such a situation doesn't exactly make me sleep easy at night.

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