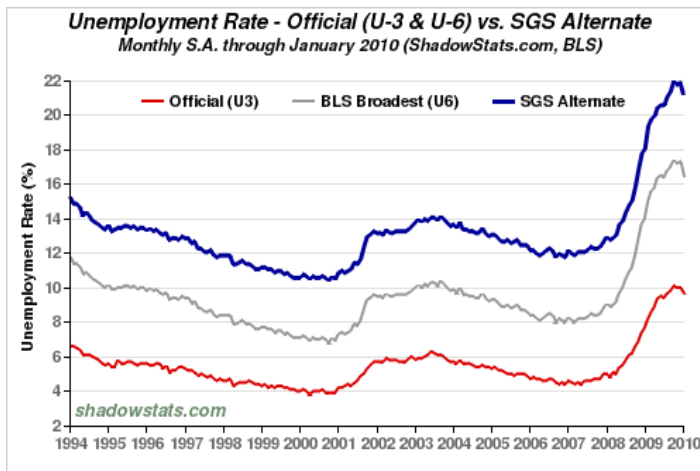


Jake Towne's Jobs Plank

"Economics consists of looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups... The economic goal of any nation, as of any individual, is to get the greatest results with the least effort." - economist Henry Hazlitt

Not only has the government and the Federal Reserve caused the financial crisis with excessive money-printing, reckless spending, bailouts, and corporatism, but the government is fully responsible for the rampant unemployment we see in our country today.



First, why does a firm or entrepreneur create a job at all? The ultimate reason is to realize a profit, an overall economic gain, or to “make money.” Firms do not create jobs for pleasure. All businesses entail risk while seeking to create profits.

Why does someone accept a job? Sure, to meet the basic necessities of life – food, shelter, clothing, and health care when sick - but the individual chooses to work ultimately for the same reason – to make a profit and “make money.”

Therefore both the employer and employee enter into a contract because they expect a mutual benefit. Employment is just like any other economic transaction – when you purchase a loaf of bread, you demonstrate your preference of the bread over the currency, and likewise the supermarket prefers your currency over the bread. When one works for a firm, the firm obviously prefers to have the work completed versus not having hired anyone at all, and vice versa. Mutually beneficial transactions are the heart of any market economy.

Regardless, the entrepreneur must still attempt to calculate if spending say \$10 per hour for a new hire will create the desired profit margin, say just \$1 per hour. However, it is not a simple case of the worker deciding between \$10 per hour for this firm, working another job, or not working at all. Consider:

- The firm has significant graduated corporate profit taxes to pay. Pennsylvania has the world's second-highest overall corporate tax rate at 41.5%.
- To pay the mandatory Social Security payroll tax, the worker has 6.2% removed from paychecks. The employer pays a matching 6.2% that the employee never sees, resulting in a 12.4% flat tax.
- To pay the mandatory Medicare payroll tax, the worker has 1.45% removed from paychecks which the employer matches for a 2.9% flat tax.
- The worker pays approximately 1-2% in local payroll taxes.
- To pay Pennsylvania state income taxes, a flat tax of 3.07% is removed from workers' paychecks.
- For federal and state unemployment “insurance” mandates, the firm pays anywhere from 2-8% of pay.

- Employers pay mandated workman's compensation tax, and the national average is around 1.5% of pay.
- The government forbids firms to pay lower than the federal minimum wage of \$7.25 per hour, which prices people out of jobs they might otherwise be able to fulfill.
- Next is the most dreaded tax of them all, the federal income tax. Let's be generous and assume that just 15% net of the employee's pay is withheld, although 20-30% is by no means uncommon.
- Lastly, to pay for the wild money-printing of the state, everyone pays the insidious hidden tax of inflation. In 2009, the inflation tax on savings in banks was estimated at roughly negative 8%.

The above does not factor in significant property taxes, the 6% Pennsylvania sales tax on goods and services, the 32-cent per gallon state tax on gasoline, the \$1.35 per pack state tax on cigarettes, the \$6.65 per gallon state tax on spirits, capital gains and taxes on interest, etc.

So, when one works it all out, the firm-worker contract calculation is much more complicated than just \$10 per hour and \$1 profit to the firm. Since the inflation tax and the corporate profit tax adds up to about 50%, the firm really needs the employee to generate \$2 per hour in profit for the firm. Meanwhile, the firm must pay roughly \$11-\$12 to employ the worker. So,



the worker needs to generate around \$14 per hour to be worth the paycheck and make the firm profitable, but yet the worker only receives about \$7 in take-home pay.

Here are the solutions:

1. Remove laws that threaten firms with frivolous lawsuits when firing workers. Firms would be more apt to hire new workers, and prearranged compensation for sudden contract termination could instead become the norm.
2. Remove laws that prevent firms from hiring workers by mandating criteria outside of the only question that really matters – can they do the job?
3. Remove the mandate for the employer to withhold income for all payroll taxes. This reduces transaction costs for the employer, and gives households more flexibility in economic planning.
4. Permanently reduce - and preferably abolish - the 9.99% Pennsylvania state corporate tax so more firms will prefer our state to the rest of the nation.
5. Remove the mandate for the employer to offer workman's compensation. Leave it up to the worker to decide if the 1.5% would be better off left in their paycheck.
6. Make enrollment in the Social Security and Medicaid programs voluntary instead of mandatory. These schemes are woefully underfunded with \$14 trillion in unfunded liabilities for Social Security and \$85 trillion for Medicaid. Put in place a gradual phase-out plan so retirees can still receive the funds they contributed, while younger generations can escape. Remember, Social Security payments should be almost DOUBLE current levels since the government has been fudging the inflation numbers for decades.

7. Abolish the federal income tax since it is not only immoral, but fiscally UNNECESSARY. If this step is too radical for Congress, surely a tax holiday could be announced to stimulate people to work.
8. Remove unfair labor union laws that forbid employers to hire new workers who would do the same jobs for less. There is nothing wrong with voluntary unions that work for safer working conditions, but the use of force and coercion to hijack control of a workplace from the firm that took the risk to provide the employment in the first place is immoral.
9. Restore sound money to remove the problems that inflation causes for entrepreneurs and individuals alike.
10. Repeal the Sarbanes-Oxley Acts' regulations which are projected to cost firms over \$100 billion per year since 2002. SarbOx has failed to prevent rampant fraud in the financial system and has placed American firms at a needless disadvantage to the rest of the world. The question is not which additional regulations were needed - those committing fraud will always cover their tracks - but rather how many other frauds exist.
11. Slash the \$1.1 trillion per year costs of federal regulatory compliance. These paperwork costs are especially harsh for small businesses, and serve as barriers to new start-ups.
12. Abolish federal minimum wage laws, or at least move them much lower so workers are not priced out of jobs. The most common rebuttal in support of minimum wage laws is that if you make less than minimum wage, you can't sustain yourself. However, this is bad logic; these laws really say it's better for someone to be unemployed and paid nothing rather than be "exploited" and paid less than \$7.25 an hour. Likewise, if raising minimum wage secures better jobs, why not raise it to \$20 an hour? Minimum wage laws can ONLY increase unemployment.

All of the above will stimulate new jobs and are guaranteed to work very quickly and put an end to all this unemployment nonsense... or you can listen to the drab, dime-a-dozen Republocrat schemes that **NEVER WORK** and got our country in this whole mess in the first place.

The truth is today's unemployment problem results from government interventions with the economy. There is no shortage of work to be done, it is only a question of how best to generate the goods and services we all want and how best to increase our standard of living. Economic central planning never works. Planning by individuals in prosperity. Government's role is to preserve individual liberties by enforcing punishments for fraud, contract violations, and acts of aggression against individuals.



All that prevents society from prosperity and fixing the unemployment problem is simply ending the state's interventions with the economy.

Jake Towne is [running for US Congress](#) in Pennsylvania's 15th District in the 2010 election as a citizen unaffiliated with any political parties. Jake plans to implement a novel "Our Open Office" form of accountable and transparent government when elected to give each resident a public voice. Visit [TowneForCongress.com](#) to learn more. Jake can be reached at TowneForCongress@gmail.com. This plank with documentation is available at <http://towneforcongress.com/platform-issues/jobs>