

## XVI: CAN A GOVERNMENT CREATE JOBS?

A topic that deserves a mention is job "creation" by the government.

Some people imagine that governments can overcome unemployment by creating jobs. Therefore, when governments refuse to adopt that course, they are often reprimanded by the opposition, or by certain pressure groups.

But governments have few independent sources of income. If they employ workers they must usually pay them with money obtained from the taxpayers. Therefore, if a government spends a few million dollars to "create" jobs, it must increase taxes by the same amount.

Taxes represent one element in production costs. If taxes increase, then some other cost must be reduced. This will often be wages, so for every job created by the government, one tends to be lost in private industry. That is hardly a useful way to overcome unemployment. So the answer to the question at the head of this chapter is a fairly definite "No".

### Creating Jobs With New Money

The same applies when a government creates jobs and pays the workers with newly minted currency. That simply debases the currency, and currency debasement, as already noted, is a hidden and indiscriminate tax.

Currency debasement increases all wages and prices eventually. It therefore forces manufacturers and employers to cut costs. Cost cutting causes jobs to disappear. Consequently, "creating" jobs with newly-made currency is the same as "creating" them with taxation revenue. Either method merely transfers jobs from the private to

the public sector of the economy - without adding to the total number of persons employed.

### Albury-Wodonga

Nevertheless, a government should be able, in theory, to relieve unemployment by starting new cities or expanding older ones - after the fashion described on page 72.

That has been attempted in Albury and Wodonga, but results to date are somewhat short of miraculous. But what else could we expect? Land prices in those cities would have started climbing as soon as the project was announced, while the number of sites on the market would have slumped. The net result, of course, is that land costs in Albury-Wodonga are now far above anything that could be justified by the cities' present level of activity.

The upsurge in land prices would be due, partly, to the original inhabitants (many of whom are doubtless hanging on grimly to whatever sites they own); and partly to outside investors and speculators (? including a few of the politicians who initiated the scheme) - who almost certainly moved in on Albury and Wodonga as soon as news of the project reached their ears.

In this way, government-sponsored city developments are usually frustrated before they get off the ground, as is also happening to Portland with its Alcoa "boom". The situation will not be reversed until land is adequately taxed, so land costs remain in line with present-day prosperity in each of the nation's cities and towns.