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Summary

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Replace Job Creation with Wealth Creation

By Steve Buckstein

Governor Kulongoski recently unveiled a new plan for creating jobs in Oregon. Not just any old jobs, but “green” jobs. While many people will focus on the “green” part of the governor’s plan, it may be more instructive to challenge the very concept that our goal should be to create jobs at all.

A revealing story makes clear why simply creating jobs may not be good public policy:

As several economists tell it, a Western businessman once visited a dam building project in China. He watched as hundreds of laborers were using shovels to build an earthen dam. “Why,” the American asked his Chinese host, “didn’t they use earth moving machinery rather than shovels, so a single worker could build the dam in an afternoon?” “That would put people out of work,” the host explained, “and that was contrary to his government’s job creation policy.” “Well, then,” replied the businessman, “if your goal is simply to put more people to work, take away their shovels and give them spoons!”

Taking away shovels and giving workers spoons is a sure way to create more jobs, and a sure way to destroy wealth and make everybody poorer. It simply does not make sense to create jobs that waste human resources. As economist Julian Simon pointed out, the human mind’s creativity is the ultimate resource, more valuable than so many barrels of oil or so many kilowatts of electricity.

In Oregon, we do not even have to weigh the pros and cons of future “green jobs” to see how this works; we can simply see how things already work.

Take Oregon’s ban on self-serve gasoline. Defenders of the ban argue that it preserves jobs, and that may be true. But, all else being equal, it also raises the price of gas to consumers. Forty-eight other states have found a way to let people pump their own gas without bemoaning the loss of jobs. As one traveler from another state wrote:

“Last summer, as we were driving through Oregon, I cringed each time I saw able-bodied, competent young people [doing jobs at gas stations] that were totally unnecessary, jobs that existed solely due to legislative fiat. A society that compels its citizens to reject technological advances, in the interest of ‘saving’ jobs, is a society that dooms itself to poverty.”



This visitor went on to suggest that Oregon could create even more jobs by passing a few simple laws:

- Make it a crime to direct-dial a long distance call, thus bringing back long-gone operator jobs.
- Ban word processors, thus paving the way for many more secretarial jobs.
- Outlaw self-serve elevators, thus opening up many entry-level elevator operator jobs. The list could go on indefinitely.

Most people are beyond feeling sorry for all the blacksmiths put out of work when we transitioned from horse-drawn vehicles to automobiles. But the gas station attendants are still with us in Oregon (and New Jersey), and we can't seem to grasp the concept that ending these jobs may be a good thing for everyone.

The even harder concept to grasp is that economic progress almost always entails some jobs being lost as productivity gains transform our economy. Of course, work is necessary to produce wealth, but not just any work will do the trick. The work must be productive, adding more value to the economy than it consumes. For this process to continue, less productive jobs must be replaced by more productive ones. Often, this means that muscle power must be replaced by brain power.

In our modern economy, technology and trade are big drivers (and big destroyers) of less productive jobs. The short-term hardship created when jobs are lost is quickly superseded by better opportunities for workers and consumers alike. Americans especially have benefited from what economist Joseph Schumpeter called this "creative destruction" in the economy. Many Europeans, on the other hand, are "protected" from this process by paternalist government policies that, by seeking to protect jobs, end up postponing or eliminating the progress that technology and trade bring to a dynamic economy.

In Oregon, we risk going down that European dead end. Our long-time ban on self-serve gas is just one example of this misguided approach. Now, focusing on "green" jobs instead of productive jobs may be another cog in this European wheel. Green may be productive, or it may not. Just think how many more jobs we could create if, in addition to subsidizing wind turbine production, we hired countless unskilled laborers to turn the turbines when the wind isn't blowing.

So, rather than focus on job creation, Oregonians should turn our attention to wealth creation. Workers and consumers alike will be better off if we do.

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