

Where are our jobs?

Let me first say that I am not an economist, nor a political scientist. My rudimentary understanding of complex global geo-politics and economics is surely simplified.

So, here's what I don't get: the United States government has been granting tax breaks to our biggest corporations and wealthiest individuals for the past ten years. At the same time, we have suffered tremendous job loss. Thus at first glance it appears that somehow this program is not working as it should.

This economic policy is based on the idea that if corporate America, and the individuals who most profit from it, are paying lower taxes, they will reinvest that money in business expansion. The result should be more jobs.

Well, I think the tax cuts ARE working – but not as intended. Corporate America IS creating jobs – but not here in America.

Here is my evidence:

First, tax cuts are allowing corporations to spend less. According to the Center on Budget and Policy Priorities, a non-partisan policy and research institute, American companies are currently paying less in taxes (as a percentage of Gross Domestic Product) than ever before<sup>1</sup>.

Second, tax cuts are allowing companies to earn more profits. Recently the economic media reported that corporate earnings “soared” through the second quarter of 2011, far exceeding projections<sup>2</sup>. According to the Federal Bureau of Economic Analysis, U.S. corporate profits broke all records at the end 2010<sup>3</sup>.

Third, American companies are creating jobs. The private sector added over 850,000 jobs in just the first quarter of 2011, according to Charles I. Plosser, President and CEO of the Federal Reserve Bank of Philadelphia<sup>4</sup>.

But the problem is American companies are not creating those jobs here in the U.S. It's really not a new story. In the past decade 42,000 factories have closed in America, while during the period from 2003 to 2008, U.S. companies more than doubled their employment in China<sup>5</sup>.

I recall about a year ago listening to a radio talk show on which displaced workers from a Timken plant in northern Ohio were lambasting the government for allowing their

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<sup>1</sup> (<http://www.cbpp.org>)

<sup>2</sup> (<http://www.cnbc.com/id/15839135>)

<sup>3</sup> (<http://www.esa.doc.gov/Blog/2011/05/26/economic-indicator-q1-gdp-and-rise-corporate-profits>)

<sup>4</sup> [http://www.philadelphiafed.org/publications/speeches/plosser/2011/05-12-11\\_nj-bankers-association.cfm](http://www.philadelphiafed.org/publications/speeches/plosser/2011/05-12-11_nj-bankers-association.cfm)

<sup>5</sup> Granholm, Jennifer M, and Daniel G. Mulhern, “American Workers Get Stiffed Again,” *Newsweek*, August 15, 2011. (pp6)

corporate employer to ship their jobs overseas. On the same program, a top level Timken executive said he was just doing exactly what his shareholders wanted him to do; he was making more money for them.

Former Michigan Governor, Jennifer Granholm, writes in *Newsweek*, that auto-supplier Delphi has gone from 50,000 U.S. employees to 5,000, while growing to over 100,000 workers in other countries<sup>6</sup>.

While traveling in Asia, I have seen giant factories with names like Ford, Carrier, Caterpillar and Motorola on them.

Therefore, based on the foregoing, I am suggesting that the tax cuts are working, but with unintended consequences. And even though I know that it cannot be this simple, maybe any tax cuts should be contingent upon creating jobs in AMERICA!

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<sup>6</sup> Granholm, Jennifer M, and Daniel G. Mulhern, "American Workers Get Stiffed Again," *Newsweek*, August 15, 2011. (pp6)