This letter is in response to Alan Blinder’s June 21st opinion piece, [*The GOP Myth of ‘Job-Killing” Spending*](http://online.wsj.com/article/SB10001424052702303635604576392023187860688.html?mod=WSJ_Opinion_LEADTop)*.*

If government spending created jobs, Greece wouldn’t be in the financial trouble they are now in. If printing money created jobs, Zimbabwe would be the richest economy in the world instead of one of the poorest. Yet, Professor Blinder opines that massive government spending is good for the economy as long we print money to keep interest rates low. By taking his economic lead from John Maynard Keynes, the professor gives us a classic case of the blind leading the Blinder.

Can increased government spending kill jobs? It can and indeed does so. New Deal spending kept the unemployment level much higher for much longer than it had been in previous “non stimulus” recessions. The 19020-21 recession was deeper, but the economy recovered much more quickly that in did under the New Deal. Robert Barro has also noted that unemployment insurance extensions kept the unemployment rate higher than it needed to be during this economic recovery.

Jobs can be killed in two ways, either existing jobs are lost, or new jobs aren’t created. A growing economy needs new jobs to be created to replenish those lost by older industries, to create job opportunities for the currently unemployed, and to provide jobs for new workforce entrants. While uncertainty over government finances and the fast-changing regulatory environment hurts current businesses, the real issue is to examine how is has affected start-ups. After all, according to the US Census Bureau, virtually all net job creation between 1977 and 2005 came from firms that were five years old or younger. Older firms, on average, were net job destroyers.

Increased government debt gives savers a “low risk” haven for their savings. We have witnessed the Federal Reserve goose the money supply only to have banks buy more government bonds. Job creation needs loanable funds going to entrepreneurs, not governments. Crowding out is not just about interest rates, it is about the availability of credit which is in short supply to budding entrepreneurs.

The theory of crowding out can also be applied to labor markets. As governments hire more workers, fewer skilled workers are available to work in the private sector. Why take the risk of becoming an entrepreneur (job creator) when the government is offering more job security, better pay, better hours, less arduous work, and a pension plan backed by US taxpayers? As the government directly employs or selects the approved industries where spending is to occur, they choke of entrepreneurship and therefore job creation.

My “job” experience with the Bureau of Labor Statistics was a prime example. At the time it was the best paying job I had ever had, and it is still to this day the job where I did the least amount of work. (I averaged fifteen minutes of work a day). This “job” kept me from being an active member of the labor force where I could be put to work making goods or providing services that were actually demanded by consumers. Production causes job creation (Say’s Law), but jobs don’t necessarily lead to production (government make work).

The real question is not whether a group of Ivy League professors can theorize a set of infrastructure improvements that could create jobs in a vacuum. It is whether actual politicians with real political constraints can implement spending better than private entrepreneurs. How much entrepreneurship are Professors Blinder and former Enron advisor Paul Krugman engaging in?

Perhaps they aren’t known for their job creating entrepreneurship because they haven’t started companies that have led to the hiring of thousands of employees. If they truly believed that they have insight into how to create jobs better than other entrepreneurs, they would be entrepreneurs themselves instead of hiding in their ivory towers quoting other peoples’ defunct ideas.