Cancerous Growth of Government

While government continues to grow by leaps and bounds, the private sector is being squeezed. Much-needed capital for investments is being spent on government projects while businesses and individuals are starved for credit. Government is hiring — either directly, or indirectly through government-backed “stimulus” projects — while on the whole companies across the nation shed jobs. The people are being taxed more heavily to support this growth, either directly or through inflation to finance government borrowing, and until there’s a policy change, it’s only going to get worse. This has been the trend for decades, but is accelerating at alarming levels under President Barack Obama.

Government jobs are on the rise. A recent study by the Heritage Foundation estimates that around a quarter of a million new federal government workers will be needed just to spend the massive new budget. White House Budget Director Peter Orszag explained that it was too early to make assumptions about federal employment levels, but noted that “investing in skilled professionals will not only pay off over time but also immediately deliver better service to taxpayers.”

A March 2 *Washington Post* article quotes officials at the Department of Veterans Affairs saying that department plans to hire 17,000 new employees. According to an anonymous official at the EPA quoted in the same article, that agency too will be expanding. A 2007 report by the Partnership for Public Service estimated that the Defense and Homeland Security Departments would need an additional 83,000 workers over a two-year period. Even before becoming president, Obama promised to add 65,000 troops to the Army and 27,000 Marines.

According to a March 7 Bloomberg article, federal, state and local government payrolls increased by 40,000 just in January and February. The private sector lost well over a million jobs during the same period. The Bureau of Labor Statistics reports that in 2008 there were over 150,000 jobs added in government at all levels, while the private sector lost close to four million. Almost 100,000 people were hired by the federal government in fiscal year 2007, according to the Office of Personnel Management.

Uncle Sam the Biggest Employer

While state and local governments employ over 20 million people already, the federal government has become the largest single employer in the country with almost three million employees (not including contractors and military personnel). For comparison, after the New Deal from 1933 to 1939 there were about 700,000. Meanwhile the private sector is being ruined. Work weeks averaged a mere 33.3 hours in February, according to a Bloomberg article about surging unemployment. Overtime has also shrunk.

Payrolls are being slashed. After losing 651,000 jobs in February and another 663,000 jobs in March, the official unemployment rate now stands at 8.5 percent, according to the Bureau of Labor Statistics. The official number of unemployed Americans is now up to 13.2 million, according to the BLS. Another measure of unemployment that includes the underemployed and people who have given up looking for work jumped to almost 15 percent, the highest figure since this measure has been tracked.

For the first time since 1939, when the data started being collected, more than 600,000 jobs have been lost every month for three consecutive months. Adding in March makes it four, and the numbers are only getting worse. The U.S. economy has hemorrhaged over five million jobs since the recession officially began in December 2007. In the last quarter of 2008, the economy shrank at an annual rate of 6.2 percent. And most forecasters aren't predicting a recovery anytime soon, if it ever arrives. Every "major component" of the economy shrank last year — except, of course, government.

Several other fields dominated by government are forecasted to expand, even in the midst of an economic downturn. A CNN article from last year cites the "environmental industry" as another key growth area in the labor market. According to a United Nations report, this "industry" added 5.3 million jobs in 2005. With admitted socialist Carol Browner serving as President Obama's "global warming" czar, expect companies like APX (Browner was on its board of directors before her new government job) that deal in carbon credits and related fields to expand even more. While not directly employed by the government, many of these "environmental" workers depend on government regulations for business. Moreover, the $787 billion American Recovery and Reinvestment Act provides billions of dollars for "green" projects, as well as for other sectors of the economy such as education.

Of course, the growth of government means private hiring will continue downward. The money the government siphons out of the economy to "create" jobs in government-favored segments of the private sector will cause job losses elsewhere.

With increasing amounts of wealth taken from the productive economy to pay for government expansion, less will be available for investments and private consumption. This means smaller businesses with fewer workers providing fewer goods and services. And contrary to President Obama's inaccurate assertions, government spending will not result in a net employment increase for the simple reason that government managers cannot allocate resources as efficiently as the free market. His continuous insistence on taxing "rich" people overlooks another crucial point; many of them are employers who will now have less capital available to hire people with.

Government Employees Cost More

In addition to the increasing size of public payrolls, government employees cost more money than people in the private sector. According to the Bureau of Labor Statistics, the average state or local government employee made $25,000 more than the average private-sector worker in 2006. The difference in 2000 was only slightly more than $7,500. In addition, civil servants earn on average $5 more per hour in benefits than private employees do. Of course, it can be argued that this is not an apples-to-apples comparison because of the large number of people in the private sector who flip burgers and are paid accordingly. Such jobs would skew overall private-sector pay downward compared to overall government-sector pay. However, the trend toward low-paying service-sector jobs is itself a product of the burden of big government on the private economy and helps explain why the disparity between pay for private- and public-sector jobs has grown.

The cost of public employees is about to sky-rocket as well, in part owing to poor planning by public retirement plans. Most government employees have what's known as a defined benefit plan, meaning they will receive a guaranteed sum in perpetuity (usually including cost-of-living adjustments to keep up with inflation). And very few of their plans are fully funded, especially now that baby boomers are preparing to retire. Economist William Hussar of the National Center for Education Statistics predicts that over the next eight years there will be a need to recruit 2.8 million new teachers because of retiring baby boomers, a growing student population, and high staff turnover. There are currently 3.2 million teachers.

Most private-sector workers, on the other hand, have a defined contribution plan, which means they contribute a certain amount of their salary towards their retirement but receive benefits based on how well the invested fund performs. An estimate by the National Bureau of Economic Research claims pension promises made just by state governments will total about $8 trillion in 15 years. "The taxes needed to pay for these promises would push many of these states' economies into a death spiral," Chicago bankruptcy lawyer James Spiotto told *USA Today*. The 2007 article, entitled "Pension Gap Divides Public and Private Workers," estimates just the unfunded portion of federal employee benefits at $4.7 trillion.

But while public plans remain stable and entrenched, pensions in the private sector have lost almost half of their value. Most government retirement plans have too, but taxpayers will be expected to make up the difference. Boston College's Center for Retirement Research estimates that in just the last year, state pension funds have lost over $865 billion, about 40 percent of their value. Taxpayers can expect to feel the squeeze as baby boomers begin to retire from civil service jobs, meaning even more money will be siphoned out of the productive economy by government.

The federal government has several options to meet their obligations, none of which will be good for the private sector. Since cutting spending or re-negotiating the benefits already promised are probably out of the question, these options include raising taxes, borrowing more money, or printing up the shortfall. In the long run this will further increase the cost of government, meaning the private sector will have to make do with less. State and local governments face similar scenarios, but since they don't have the ability to print money, they will either have to beg the federal government for a bailout, slash spending in other areas, or take the most likely course of action: raise taxes even more.

Workers who are still employed can also expect to see a decrease in the purchasing power of their salaries. With the rapid increase in the money supply courtesy of the Federal Reserve's bailouts and "liquidity injections," dollars will become worth less and less. This hidden tax has allowed the government to grow and spend more money without directly imposing new taxes. But the effects will be the same: less private capital for investment and consumption relative to government spending. Since government generally does not produce anything (it doesn't create wealth) and more often destroys it, living standards will likely be eroded further.

Big Government's Big-time Meddling

A trend that has accelerated at breakneck speed recently is for government to become involved in private business. Already the American taxpayer is supporting dozens of banks, A.I.G., the car companies, and others the government deems "too large to fail." Treasury Secretary Timothy Geithner is now asking for the power to take over even more. Congressman Ron Paul has appropriately called these firms that operate at a loss "engines of wealth destruction." Since money from productive and responsible enterprises and individuals is being poured into them, expect the economy to contract even further. And even though employees of these companies are not directly employed by government, as far as taxpayers and the economy are concerned, they might as well be.

Even the government acknowledges that all of this government spending will adversely affect the nation's economic future. The Congressional Budget Office estimates that Obama's "stimulus plan" will lower U.S. Gross Domestic Product by "crowding out" private investment. "The reduction in GDP is therefore estimated to be reflected in lower wages," the CBO report said. "Workers will be less productive because the capital stock is smaller."

As the private sector continues to suffer, government continues to grow. Right now the growth is being financed by inflation, borrowing, and heavy taxation. But eventually there will come a point when taxes are too high to be sustained and foreigners are unwilling to lend the U.S. government any more money. Will everyone be forced to work for the government?

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