



Written by [Ralph R. Reiland](#) on May 10, 2011

Government vs. Production

"The United States may soon wind up with the distinction that makes business leaders cringe — the highest corporate tax rate in the world," wrote *New York Times* reporter David Kocieniewski last week.

"Topping out at 35 percent, America's corporate income tax rate trails that of only Japan, at 39.5 percent, which has said it plans to lower its rate," reported Kocieniewski.

Include additional taxes imposed at the state level, and the corporate tax rate in the U.S. jumps to more than 40 percent in 19 states.

Leading the pack are Iowa and Pennsylvania with corporate income taxes, respectively, of 12 percent and 9.99 percent, creating the nation's highest barriers via taxation to new corporate investment and associated new jobs.

Similarly in relation to obstacles to business expansion: Create an education system that produces four times more college graduates in social science and history than in engineering and computer science, and we can expect to see too many American firms unable to compete in the global marketplace and too many academics writing papers on America's lack of competitiveness.

In "We've Become a Nation of Takers, Not Makers" (*The Wall Street Journal*, April 1, 2011), Stephen Moore, senior economics writer at the *Journal*, reported that in the United States today, "there are nearly twice as many people working for the government (22.5 million) than in all of manufacturing (11.5 million)."

In short, we got better at expanding bureaucracies than manufacturing cars, better at making rules and regulations than producing clothes or oil.

It wasn't always this way. The world's first automatic transmission was invented in 1904 in Boston. The year before, Orville Wright became the first person in history to be a passenger in a machine that had raised itself by its own power into the air in full flight.

In 1960, the aforementioned 2-to-1 ratio between government employees and manufacturing workers in America was weighted precisely in the opposite direction, as Moore reported, with "15 million workers in manufacturing and 8.7 million collecting a paycheck from the government."

Add to manufacturing the other key sectors in the American economy where people still make something tangible, something touchable, and the total employment still doesn't equal the bloated payroll levels in the government.

"More Americans work for the government than work in construction, farming, fishing, forestry, manufacturing, mining and utilities combined," explained Moore.

"Even Michigan, at one time the auto capital of the world, and Pennsylvania, once the steel capital," reported Moore, "have more government bureaucrats than people making things."





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Well, not exactly. It's not fully accurate to say that government bureaucrats aren't "making things."

They made a federal anti-poverty program that's produced a price tag of more than \$13 trillion since the mid-1960s, plus trillions more at the local and state levels.

"The federal government now has 122 separate anti-poverty programs" with a cost of "\$591 billion in 2009," recently reported the Cato Institute's Michael D. Tanner in *Investor's Business Daily*.

That averages out to "\$14,849 for every poor man, woman and child in America," Tanner explained.

That's \$59,396 for a poverty family of four — in a nation where the median household income that same year was \$49,777.

Much of that \$59,396 never gets to the poor, of course. It goes to the bureaucrats who "manage" the poor, the poverty experts who'd be out of work if they eliminated poverty.

So it's just not true that the government bureaucrats aren't "making things." They've been experts at making expensive jobs for themselves, experts at creating perpetual dependency and everlasting victimhood, experts at creating the road to national bankruptcy.

Ralph R. Reiland is an associate professor of economics and the B. Kenneth Simon professor of free enterprise at Robert Morris University in Pittsburgh.



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