



Washington's 'Job Creation' Circus Is Hitting the Road

In the grand circus of politics, where elephants and donkeys alike perform under the big top, there's one act that never fails to draw a crowd: the venerable "job creation" routine. Putting people back to work, especially those without college degrees and in the manufacturing world, is in the center ring. Unfortunately, when you look behind the smoke, mirrors and rabbits hidden in hats, you'll see that promises to rebuild America through industrial policy are just plain old corporate welfare.

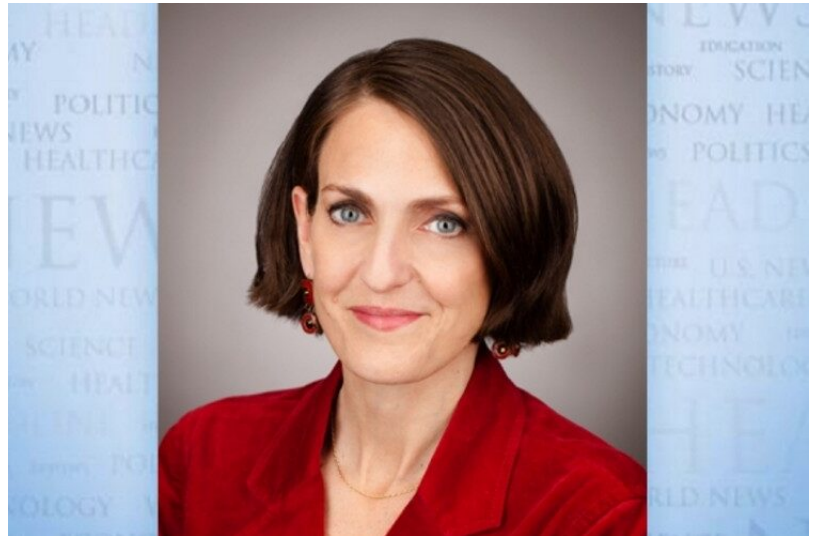
Industrial policy has made an amazing comeback. In its name, the Biden administration and Congress have authorized between \$1.2 and \$2.1 *trillion* in domestic subsidies for preferred manufacturing industries in sectors such as clean energy, advanced manufacturing, construction, transportation and broadband. The ringmaster and his assistants assure the crowd that they'll deliver tens of thousands of new, high-paying jobs for workers with no more than high-school diplomas. Meanwhile, on the right, industrial policy is being discussed as a way to boost manufacturing employment for men left behind in the Rust Belt.

The job-creation argument for showering businesses with billions more in subsidies might surprise those of you are aware of America's remarkably low unemployment rate. Indeed, given that handful of people will always be between jobs, a 3.9% rate signals that very few who want employment can't find it.

Instead, what's animating these politicians is the exodus from the labor force of mostly poorly educated males. The reasons for this workforce withdrawal are complex and beyond the usual scapegoats like trade and market forces. But this topic I will save for another column.

Instead, let's focus on the reality that industrial policy subsidies and tax breaks will flow to companies, often big and rich, for projects they would likely have taken on anyway. That means they probably won't create net new jobs. Even if these subsidies were to create a manufacturing boom, it probably wouldn't lead to an employment boom because most manufacturing output today is produced by robots.

And even if the subsidies benefit workers indirectly, the beneficiaries will be largely college-educated and in higher-income groups rather than those working assembly lines. The golden era of widespread,



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Written by [Veronique de Rugy](#) on April 4, 2024

good manufacturing jobs that so many politicians are nostalgic about is over. It's been going away for 70 years.

So, industrial policy won't create jobs for poorly educated workers, but it will supercharge cronyism. The Cato Institute's Chris Edwards notes that Biden's industrial policy is better described as a corporate welfare bonanza. The Inflation Reduction Act, he writes, "handed out \$868 billion in energy subsidies, most of it to big corporations, including automakers, utilities, manufacturers, and hydrogen producers. Adam Michel finds that Biden's energy tax subsidies could top \$1.8 trillion."

The CHIPS and Science Act of 2022 gave \$54 billion in subsidies to a who's who of corporate and Silicon Valley elite. Ditto with the Infrastructure Investment and Jobs Act of 2021, which subsidized railroads, electric utilities, broadband companies, the EV industry and others to the tune of \$548 billion.

Unfortunately, when the government is in the business of distributing favors, corporations devote less effort to producing and more to seeking those favors. The result is "unproductive entrepreneurship," where innovators use their skills to extract government privileges instead of putting new, better and cheaper goods and services on the market.

Finally, contrary to the anti-big business rhetoric blaring from the Biden administration, it has granted a large amount of narrow corporate tax breaks to big companies. In fact, Edwards finds that since being in power, "President Biden has increased annual average corporate tax expenditures 92 percent from \$109 billion to \$209 billion." He notes that tax code expenditure "have increased from \$0.3 billion a year projected under Trump to \$29 billion a year under Biden."

Despite the grand promises of revitalizing the American workforce and bringing prosperity to forgotten corners of the country, the reality is that industrial policy is typically a conduit carrying corporate welfare, benefiting the already powerful and wealthy as it discourages genuine innovation and market-driven economic opportunities.

As we peer behind the scenes of this circus act, it becomes clearer that sustainable employment and economic prosperity will be generated not by subsidies but by unleashing market forces, which will promote entrepreneurship and innovation. Only by moving away from the spectacle can we hope to address the challenges underlying the American workforce and pave the way for a more prosperous and inclusive future.

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