

# Richmond Times-Dispatch

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## Why Not Stimulate the Real Source of Jobs?

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We hear about millions, billions, and trillions of tax dollars tossed around by the government like they were pennies at a wishing well.

It's time to pause before we toss! Remember that a trillion is a million million, and a billion is a thousand million! That is a huge pile of pennies!

President Obama noted that "everybody is an economist!" If that is the case, here is my view as one of those citizen economists:

First, an overview of the United States and its economy:

- Population:305 million.
- Working age (about 63 percent of population):192 million.
- Civilian labor force:about 154 million.
- Employment:about 142 million.
- Housing units:about 128 million.
- Households:about 115 million.
- Unemployed workers:about 11.6 million.
- Natural unemployment rate (about 4 percent of work force):6.2 million.
- Unemployed who would have work in full-employment economy:5.4 million.
- Job openings, as of Dec. 1, 2008:2.8 million.

President Obama has stated that the stimulus package will create or save as many as 4 million jobs. The stimulus package will increase the national debt by almost \$800 billion. This is -- at best -- approximately \$1 million for every five jobs saved or created.

Viewed another way, the cost of the stimulus package is expected to be at least \$200,000 per job saved or created. Is this a realistic figure?

The annual pay of most for-profit employees is between \$30,000 to \$50,000. Many households have more than one wage earner, so the annual income of most households is less than \$100,000 and for many, it is less than \$50,000. These households are the backbone of our consumer-driven economy.

More than half of the for-profit employers (approximately 3 million firms) in the United States have fewer than five employees. Lack of access to working capital limits their growth, forcing them to grow slowly as they try to accumulate aftertax profits to grow their employee base.

Imagine this: Suppose each of those 3 million firms received \$200,000 to create jobs? This equals the annual pay of up to six or seven employees at each of these firms! Recall that the government stimulus

package intends to use \$200,000 -- at the very least -- to create or save just one job.

And consider this: Almost every major employer in the United States today was once a one-person start-up. Examples are all around us: Starbucks, Sears, Penny's, General Electric, Ford, Microsoft, Federal Express, Kentucky Fried Chicken, Wal-Mart, Apple, McDonald's, Xerox, DuPont, Kodak, Corning -- and the list goes on and on!

The founders of those once ultra-small businesses matched their vision and skill with a need that others would willingly work for -- and pay for. Using raw materials, labor, and capital equipment, they developed and met the need for a consumable product or service. Their profits create more private capital to fuel growth and employment.

Employment multiplies through these companies' suppliers -- and through the providers of products and services used at work and at home by their employees. Even the nonprofits and governments receive more voluntary and nonvoluntary slices of the value created by for-profit entities, which in turn adds to the overall employment and economy.

But, without access to funds -- which is usually the case -- founders of small businesses work 60 to 80 hours a week to generate the necessary revenue to hire their first employee. When they have five employees, a 20 percent extra effort by all five will help fund the next hire. The business owners and their employees have to put forth the extra effort, as other sources of funds for growth are difficult to find. This is the nature of an ultra-small business -- and also why it is so hard to get one going.

Which would do better in job creation, the government spending plan or investing the funds to fuel the growth of the ultra-small firms? Some of those ultra-small firms will grow much faster and become significant employers. Their employees, in turn, become a source of demand for more products and services from others, creating even more jobs!

One final observation: The national debt is approximately \$10.7 trillion -- that's \$10,700,000,000,000. Expressed as debt per household, the 115 million households have \$10,700,000 million (another way to say \$10.7 trillion!) of national debt. This now equals \$93,000 per household. Each trillion of new national debt added is another \$8,700 per household.

So, what is really the best use of this tax money: government spending, or true investment in the real source of economic growth?

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*P.S. After publication observation about the obvious. Just do the math:*

***\$200,000 times 3,000,000 ultra-small businesses in USA = \$600 billion.***

*This is 25% less than the \$800 billion or so in the final Stimulus package! Include education in the business of business for owners, along with well proven tools for success in ultra-small business development. Want to know more, contact me.*

*John*