

Who Are The Job Creators?

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Republicans have a line they use whenever they are faced with a proposal to increase taxes on their wealthy benefactors. They say that it is harmful to the economy to increase taxes on the “job creators”. They certainly have a point, but their angst is sorely misplaced.

It is not the CEO, or the large business owners that are the job creators. By giving tax breaks to their wealthy benefactors, they actually make the economy and the national debt worse. No businessman bases his hiring or layoffs on the income tax rate. You base it on serving your customers.

Who then are the job creators?

Let's use one of my favorite examples: Ford Motor Company. Republithinking would have you believe that we have our jobs because of “job creators” like Bill Ford and our CEO Alan Mullaly. If that's what you think you'd be wrong.

The job creators are consumers with money in their pockets. If there are enough people with good paying jobs and they have confidence in the products we build their demand creates our jobs. The people that create our jobs are quite honestly the ones that buy our products.

You may think that Ford is in the business of making and selling cars; they are not. Ford is in the business of making money. If they could do it without creating a single job that's what they would do.

This brings me to two related points:

1) People have confidence in quality products. When management puts quantity over quality they are thinking short term profits over the long term viability of our company. If we need more production then Ford needs to expand our manufacturing base by adding shifts or opening plants. Extended forced overtime is a recipe for failure.

2) Morale has a profound impact on production, both quality and quantity. This is a fairly subjective measurement, but there are indicators that can give a sense of morale other than asking the person next to you if they like their job. Measurements like high absenteeism, divorce rates, in plant altercations and excessive calls to the Harassment Hotline are clear indications that morale is low.

Government Jobs Are Not Bad.

Republican are also fond of saying “Government doesn't create jobs”. This is totally false and they are being hypocritical when they say it. This notion is floated for two reasons; to put business people on a pedestal as the “job creators” and to force downsizing of essential services (i.e. police, fire, teachers, road construction & maintenance, Congress) that most Americans rely on but wealthy Americans can buy on the open market.

By providing these services, government creates middle class jobs that send ripples of economic activity throughout the U. S. economy.

Often it is this government largess that Republicans openly criticize while actively pursuing these funds for their districts. Romney's Vice Presidential running mate, Paul Ryan, privately asked for stimulus money to help with job creation in his district then campaigning on the fallacy that the stimulus didn't

create any jobs. Remember the infamous "Bridge to Nowhere"? That was a bridge to connect the town of Ketchikan, Alaska, with Gravina Island, an island that has 50 residents. That was proposed by Republicans Don Young and Ted Stevens.

It's not that Democrats don't seek government money for projects in their districts, but they don't then turn around and call government the problem while taking that money for their district. They're not hypocrites.

Job Creator In Chief?

Mitt Romney claims that because of his business experience as the principal owner and CEO of Bain Capital he is uniquely qualified to turn this economy around. That brings to mind a few questions.

What kind of jobs does his business create and where? Bain is what's called a private equity firm. Their business model as Romney explains it is: "the purpose is acquiring companies to "harvest them at significant profit." If you've ever seen a corn field after harvest you can picture what Bain does to companies it buys.

No one should be surprised. After all, Bain Capital wasn't in the business of creating jobs. It was in the .business of creating profits. Let's examine a few businesses that have been Bained.

In 1992, Bain Capital bought American Pad & Paper by financing 87 percent of the purchase price. In the next three years, Ampad borrowed to make acquisitions, repay existing debt and pay Bain Capital and its investors \$60 million in dividends.

As a result, the company's debt swelled from \$11 million in 1993 to \$444 million by 1995. The \$14 million in annual interest expense on this debt dwarfed the company's \$4.7 million operating cash flow.

The proceeds of an initial public offering in July 1996 were used to pay Bain Capital \$48 million for part of its stake and to reduce the company's debt to \$270 million.

From 1993 to 1999, Bain Capital charged Ampad about \$18 million in various fees. By 1999, the company's debt was back up to \$400 million. Unable to pay the interest costs and drained of cash paid to Bain Capital in fees and dividends, Ampad filed for bankruptcy the following year. Secured lenders got less than 50 cents on the dollar, unsecured lenders received two tenths of a cent on the dollar, and several hundred jobs were lost. Bain Capital had reaped capital gains of \$107 million on its \$5.1 million investment.

A Bain Company that's in the news right now is Sensata Industries. Sensata makes car parts. They have a plant in Freeport, IL and are a profitable company.

That's not good enough for their investors. To increase profits Bain is closing the Freeport plant on November 5th and shipping the jobs to China. To add insult to injury the workers were forced to train their Chinese counterparts. Add to that an unpatriotic twist. When the Chinese were here learning how to use the machinery the Chinese flag was put up in place of the U.S. flag.

These workers have been asking Mitt Romney to intercede on their behalf. While Mitt doesn't have a hand in the day to day operations of Bain, he is the largest stock holder and founder of the company, and he's running for President for Pete's sake. With one word he could put an end to this greedy pursuit. He has chosen to ignore their plight.

One that is held up as a successful job creation company is Staples. The vast majority of the jobs at

Staples are barely above minimum wage. Not the kind of job that could land many employees in the middle class.

Auto Companies Rescued

I was speaking with a retiree just the other day and touted President Obama's rescue of the U.S. auto industry. He said yes, but it was GM & Chrysler, not Ford. The fact is that if GM or Chrysler had gone through a liquidation, which was likely without the government loan they got, the economy which was already in a deep recession would have fell into a depression.

Our customer base and our supply base would have been devastated. In February of 2009 Ford stock was selling for \$1.50 per share. Had the auto bailout of GM & Chrysler not taken place, Ford would have been next.

This isn't just my opinion, this is what Ford CEO Alan Mulally talked about in an interview with Aaron Task of Yahoo Finance. Mulally said that the bailout preserved our customer base. Because we had borrowed \$23.5 billion in 2006 ahead of the financial crisis we managed without taking bailout money. This put us in a very favorable light with U.S. consumers.

Early voting is open in both Illinois and Indiana. Take advantage of early voting opportunities and use your time on election day helping to get out the vote. UAW Region 4 is offering \$100 per 8 hour shift for UAW members and their spouses only to canvass in targeted areas of the Illinois 8th 10th and 11th Congressional Districts. If you're interested stop by the Union Hall for details.

You can volunteer by contacting UAW Local 551 President Carlo Bishop at the union hall (773)646-1472 Illinois State CAP Director Tony Garcia at (847)459-3888 or in Hammond by contacting Pete Judge at Democratic Headquarters (773)351-2220.

Remember the job creators are all of us! They way to create jobs is to increase consumer demand. The way to keep our jobs is to build quality products that our customers will like and recommend to their friends.