

[Chris Huhne's ruinous hoax](#) [1]

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Yesterday at the Lib Dem conference, Chris Huhne announced the government's new 'Green Deal'. The Deal will provide 26 million homes with insulation to save them energy and money. Mr Huhne also promised his scheme would create up to 250,000 jobs and by doing so has unwittingly leapt into an economic misnomer.

Mr Huhne has committed the so-called 'broken window fallacy'. The broken window fallacy is a common error made in economics, and it neglects the unseen consequences of our actions. Breaking windows does not help the economy through giving glass manufactures more work, but actually means we lose out on the other goods that could have been produced instead of the extra glass. Unlike businesses and workers who earn their revenue through peaceful and mutually beneficial trade, government only takes its revenue from others by force and is by definition a drain on others. To put it simply, the Government cannot create jobs without first destroying others.

Frédéric Bastiat pointed this out back in 1850. He wrote that whenever the government tries to create jobs, 'it gives jobs to certain workers. That is what is seen. But it deprives certain other labourers of employment. That is what is not seen.' Bastiat concluded that such job creation programmes were 'a ruinous hoax, an impossibility, a contradiction.'

But not only will this fail in its aim to create jobs, it is also likely to have negative unforeseen consequences. An almost identical scheme to Huhne's proposal, recently implemented in Australia, has proved to be so disastrous that the Australian Senate is conducting an [inquiry](#) [3] into the 'green' insulation scheme carried out there. Thousands of homes had their insulation installed incorrectly and hundreds burnt down, killing 4 people. You have to wonder why Chris Huhne has gone ahead with a policy with such a disastrous track record.

Mr Huhne may well wish he could create jobs, but he'll have to trust in the private sector if he really wants to see more employment.

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