

["Liam Byrne fails basic economics" \[1\]](#)

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On Thursday, Liam Byrne MP, Chief Secretary to the Treasury illustrated his failure to grasp basic economics. He claimed on the Today programme that "when National Insurance has gone up in the past, actually, employment has risen". This is probably true. It is entirely possible that employment can rise despite the cost of employment increasing - the reasons for this may include strong and steady economic growth. Whilst the cost of employment rises, the increasing profits of employers mean that they can afford to absorb these costs and continue creating new jobs, or at least not get rid of existing ones.

However, Byrne then claimed "there isn't an automatic link between raising National Insurance and unemployment". When prompted not once, but twice as to an explanation for this, he simply cited his "observation" that past NI increases had been followed by increases in employment. This is astounding. To even imply that an increase in the cost of employment can lead to an increase in employment is beyond belief, but to rule out the opposite correlation between the two without acknowledging any other factors is senseless.

Anyone with an ounce of sense, let alone the entrepreneurs and business leaders so frequently cited in the recent National Insurance debate can tell you why an increase in National Insurance, by increasing the cost of employment, damages the chances of creating new jobs at the best of times, and may even put existing jobs at risk when the economy is shaky. For a Labour party nominally committed to jobs and economic recovery, this is either hypocrisy of the worst kind or sheer stupidity.

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