

Small Business Holds Key to Recovery Effort

By Alfredo Ortiz

Financial markets are down about ten percent so far this year stoking fears that the country might be on the precipice of another recession. Other economic indicators are mixed: The unemployment rate is at an eight year low, but the percent of people who have dropped out of the labor force altogether is at a generational high. To try to stave off another recession and finally get the economy going again, federal and Rhode Island policymakers should make sensible regulatory and tax reforms to help small businesses, the engine of the American economy.

American small businesses account for half of all existing jobs and two-thirds of new ones, but new national polling commissioned by the Job Creators Network of over 400 small business owners suggests that they are struggling. Only one in five respondents said that they plan to hire additional employees over the next year. And, fewer than one in three respondents said they expect next year to be easier to do business in than the last.

Small business owners consistently identify overtaxation and overregulation as the biggest hurdles they face. Two-thirds of respondents said that tax rates and tax complexity threaten the viability of their businesses. And over 60 percent of respondents said the same for regulations.

Numerous other economic indicators also show that small businesses are still operating in a purgatory between recession and recovery. According to Census Bureau data, the annual number of new enterprises — a widely used proxy for entrepreneurship — has only barely

recovered from Great Recession levels. In fact, there were 678,000 enterprises created in 2013 (the most recent data available), fewer than the 698,000 created as far back as 1977. Adjusting for population growth makes this stagnation even more pronounced. Data from the Kauffman Foundation and the OECD confirm this trend.

The National Federation of Independent Business's small business optimism index paints a similarly bleak picture. It has been stuck below its historical average of 100 for nearly every single month since 2007. The NFIB recently stated that its index "continues to signal a lackluster economy and shows that the small business sector has no expansion energy whatsoever."

The impact of overtaxation and overregulation on American small businesses is well covered. A report from the nonpartisan Congressional Budget Office examined the job creation records of small businesses and the tax and regulatory burdens they face. It found that tax and regulatory policy "can significantly affect decisions about whether to start a new business or to expand an existing firm." Even the recent State of the Union Address admitted, "There's red tape that needs to be cut."

But the admission of the problem makes lack of meaningful action to lift the tax and regulatory burden on small businesses even more frustrating. While policymakers talk a good game, their actions betray their true intentions. Over the past several years, small businesses have been at the receiving end of an onslaught of new taxes and regulations that disincentives job creation and economic

growth.

Labor regulations to increase the minimum wage, lower the overtime threshold, and consider franchisees "joint employers" with their franchisors, for instance, drive up the cost of hiring employees. This overreach will only end up hurting young employees and those who need these jobs the most. Energy regulations like the Clean Power Plan and the Mercury Air Toxic Standards drive up the costs of keeping the lights on. No amount of rose-colored rhetoric will change this cold-hearted economic reality.

To try to convince policymakers and the public that now is the time to lower taxes and deregulate, the Job Creators Network recently launched a major new campaign called Bring Small Businesses Back. It will work closely with real small business owners to identify the specific taxes and regulations that are having the most pernicious impact, and back legislative solutions to address them. For instance, financial regulations that prevent small business owners from accessing capital to expand their business and hire new employees must be tackled immediately.

Such reforms to help small businesses — the heart of the American economy — are the best hope to stave off another recession and finally get the economy going again. Let's work together to turn positive words into real solutions.

Alfredo Ortiz is the president and CEO of the Job Creators Network, a nonpartisan organization founded by entrepreneurs like Home Depot co-founder Bernie Marcus who believe the best defense against bad government policy is a well-informed public.