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By Donald Lambro



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KEEPING THE U.S. A LAND OF OPPORTUNITY

by Donald Lambro

Since the beginning of this decade an explosion of new businesses--almost three million of them--have created most of the nearly 12 million new jobs that have been added to burgeoning U.S. employment rolls.

Economist Polina Goodman of Manufacturers Hanover Trust says the economy's small business sector has given the United States "an economic vitality no other country can claim." Small businesses employ almost half of all private sector workers. They generate 40 percent of the gross national product. Yet perhaps the most under-reported phenomenon of all is that women-owned businesses represent the single biggest source of new business formation in the United States. They own nearly 3.5 million companies, and that number is climbing rapidly.

Truly, America's economic miracle is its ability to foster new businesses and new jobs. We created a record 634,000 new incorporated businesses last year alone--not to mention millions of unincorporated enterprises--and nothing like that has happened ever, anywhere else in the world. Even during the recession of 1981 and 1982 America's small business community was producing some 2.6 million new jobs, while the big Fortune 500 corporations were laying people off. That proved that America's bedrock entrepreneurial spirit was alive and well. The economy just needed a booster shot to get it moving again, which it got from the tax cuts of 1981, further deregulation, and pro-growth monetary policies at the Federal Reserve Board.

Today the United States is in the fourth year of one of the longest economic recoveries in postwar history, and few if any economists are predicting it is going to end anytime soon. In fact, some forecasters say we may be entering a new long-term period of economic growth, fueled in part by a technological boom that could be as sweeping as the Industrial Revolution. One thing is for sure.

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He spoke at The Heritage Foundation on November 21, 1986, at a reception celebrating his latest book, Land of Opportunity.

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America will be celebrating the recovery's fifth anniversary this time next year.

But there is a vast difference between this year's 2.5 percent growth rate and a vigorous 5 to 6 percent growth rate. Clearly, as John F. Kennedy used to say, "We can do better." Thus, the question that should occupy our attention now is "Where do we go from here?" We have achieved long overdue deregulation of major sectors of our economy, cut taxes from a top rate of 70 percent to 28 to 33 percent, and begun to move the federal deficit on a downward trajectory. What should be our next economic goals? In short, what new economic growth initiatives are needed to breathe new vigor into the American economy?

These questions are critically important at this juncture in our political history, because the results of the midterm elections suggest considerable confusion about where Americans want to take the American economy. This is why I believe it is more important now than ever before to roll up our sleeves and begin devising a bold new agenda for growth, a legislative blueprint of the initiatives that are needed to renew the economic recovery--to push it into a higher orbit that will usher in a long-term era of vigorous economic growth.

We must not fail to note that there are signals from the Democratic-controlled Congress that legislation is being prepared that may hurt our economy. There are, for example, signs that new efforts will be made next year to enact sweeping trade protectionist legislation that can only have disastrous consequences for the U.S. economy and for that of the entire free world. There may be efforts to reimpose costly and counterproductive economic regulations, perhaps in the banking and securities industries and in transportation as well. And the chairman of the House Ways and Means Committee, among other congressional leaders, has warned that taxes may have to be raised to further reduce the deficit. It seems that the politicians are unwilling to cut one more dollar from a host of marginal government programs, no matter how wasteful, ineffective, and counterproductive they may be.

Yet it would be utter folly to enter next year's legislative battles prepared only to oppose these and other anti-growth proposals. There is an old axiom that you cannot beat something with nothing. For this reason, it is incumbent upon us to develop some viable new alternatives and refurbish some old ones.

Clearly, our market-oriented ideas are far better than their ideas of more government, more spending, and more taxation. But all too often, a look back over the political and legislative battles of the last six years shows clearly that we have not pressed many of our proposals as aggressively as we should have. I think 1987 is the time to launch a major new offensive of increased economic growth and new job creation.

The following are some of the steps and legislative initiatives we need to pursue:

- o We need to move toward the logical next step in the effort to reduce the tax rates further, eventually achieving a top rate of 20 to 25 percent.
- o If we are to modernize our plant capacity and become more competitive and more productive in the world economy, we must cut the newly raised capital gains tax in half and eventually eliminate it.
- o If we are ever going to boost savings in this country to provide the kind of capital resources needed for further investment and growth, we must work toward sharply cutting the tax rate on savings, and develop newer, easily understood proposals for tax-exempt retirement, education, and health insurance savings accounts.
- o If we are to further stimulate new business formation, we must consider exempting new small businesses from federal taxation during the critical first few years when fledgling enterprises are just getting on their feet.
- o If we are to help businesses foster new job creation, we must lighten the heavy burden of the payroll tax, which prevents many small businesses from hiring more workers. This means of course that we must apply some modest brakes to Social Security program growth and begin a long-term program of Social Security reform.
- o If we are to mount the kind of effective and responsive job training programs that are going to be increasingly needed in the future--as our economy continues to undergo major structural changes--we should provide full tax deductions for businesses operating training and retraining programs for the unemployed. Meantime, if we are to effectively slash the poverty rate in America, we must begin implementing some brave new economic growth initiatives in our inner cities.

Certainly we must enact Enterprise Zones legislation which remains imprisoned in the Democratic-controlled House of Representatives. The original Kemp-Garcia proposal backed by the Administration should be expanded to include 350 of the nation's poorest inner city areas. And it should be redesigned to offer generous federal tax breaks and deregulatory incentives for businesses that locate and hire jobless workers within these zones.

At the same time a nationwide campaign must be waged to enact the Administration's Youth Opportunity Wage bill, which would offer a summertime subminimum wage for jobless youths under the age of 20 to.

get them off the streets and on the first rung of the economic ladder. The black mayors of America have been lobbying hard for this reform but have received little or no public support from the White House or the business community for their efforts. It is time to lock arms with the Black Mayors Association and other civic groups behind this sensible proposal and mount a major drive to get it enacted. The Labor Department says this reform alone would put hundreds of thousands of jobless youths to work, especially in our poverty-ridden inner cities.

It is also time to abolish the Interstate Commerce Commission to allow trucking, bus, rail, and other ground transportation companies and entrepreneurs the freedom to enter any market they choose; to carry any goods they choose; and to raise or lower their rates at will without notifying the federal government.

Who would benefit from this? Mostly small business entrepreneurs--especially minorities--who have been discouraged by ICC regulations from entering the interstate marketplace. It is important to note that the number of new business starts in deregulated sectors of the economy has increased twice as fast as overall business starts nationally. One-fourth of the 12 million new jobs that were created between 1976 and 1982 were in deregulated industries.

Abolition of the ICC should be part of a major new deregulatory legislative package enacted by the Congress next year. Among its provisions:

- o Eliminate the Labor Department's outmoded and counterproductive "home worker rules," which forbid home worker manufacture in six fields--from jewelry to women's apparel. No single reform can do more to help poor and low-income women, especially among minorities, than the elimination of these anti-growth regulations. Equally important, it would open up related business opportunities for new marketing and retail enterprises.

- o Reform the Securities and Exchange Commission's cumbersome rules and regulations to make it easier for new financial companies to enter the marketplace and offer new investment advice and opportunities to consumers.

- o Deregulate the U.S. Postal Service to let the private sector deliver first class mail. By opening up the post office to competition, we could develop thousands of new local, state, and regional business opportunities for an army of entrepreneurs.

This new agenda for growth should not stop here. The protectionists in Congress failed to pass their trade bill this year, but they are going to try again next year with a bill that can only invite catastrophic economic reprisals from our trading partners around the world. The only way to stop such a disastrous policy in

its tracks is to offer a sensible and popular alternative that can win the support of business, labor, and consumers alike.

This calls for development of an Export Expansion Act for 1987. The details of such a proposal should be worked out with leading U.S. business groups, all of whom have been pleading with Congress to modernize this nation's antiquated, counterproductive trade laws and regulations. But the kind of reform I have in mind would begin by sweeping away all federal regulatory obstacles to U.S. exports where there are no prohibitive foreign policy or national security considerations. Above all, this bill should contain significant new tax breaks to stimulate and assist increased exporting activities on the part of U.S. businesses--large and small.

It is time, moreover, to repeal the 1977 Foreign Corrupt Practices Act. These regulations have hamstrung U.S. businesses overseas, inhibited their ability to win major overseas contracts, and given foreign competitors--who are under no such restrictions--a major advantage.

The U.S. shipping industry should be deregulated to end government-imposed regulations, which have needlessly driven up shipping costs for U.S. exporters. And at a time when the world markets are awash in agricultural commodities, we must reduce our agricultural price supports to help make U.S. farm products more competitive overseas. Further, we should permit the export of timber being cut on federal lands, and we should eliminate government restrictions that forbid the United States to sell Alaskan oil to Japan. Economist Murray Weidenbaum says these two provisions alone would cut the U.S. trade deficit by \$20 billion.

Finally, we must undertake a government-wide transfer to the private sector of marginal federal programs than can be more efficiently performed by the business community. Better known as "privatization," contracting out by the government offers our economy two big dividends: First, it allows the government to cut spending by turning over activities that can be, and in many cases should be, performed by business without abandoning needed social services and programs. Second, contracting out allows entrepreneurs to enter commercial markets that have been monopolized by government and thus will help open up countless new enterprises and new jobs. Opportunities for privatization exist in everything from Amtrak to National Public Radio, from the Legal Services Corporation to the Federal Housing Administration.

For too many years we have let the politicians get away with murder--telling us they want to encourage economic growth and prosperity and job creation but doing nothing about it. In the end these are the same obstacles to achieving full employment without inflation that are embedded in America's dusty law books, and a more

vigorous rate of economic growth remains a frustratingly elusive goal.

When he was traveling through America in 1831, Alexis de Tocqueville observed that "America is a land of wonders in which everything is in constant motion and every change seems an improvement." Across the vastness of the American continent "no natural boundary seems to be set to the efforts of man, and in his eyes what is not yet done is only what he has not yet attempted to do." The challenge now is to raise America to the next plateau through a comprehensive agenda for growth--one that will help create an expansionist entrepreneurial climate in which new businesses will flourish in every corner of our land and touch every sector of our society.

More than a century and a half after de Tocqueville's U.S. tour, our country still remains "a land of wonders," of entrepreneurial dreams, visionary risk takers, and awesome inventiveness. The task before us is to renew the dream, to make sure that the promise of America endures, that it remains a land of everlasting opportunity for every American.

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