

STUDY SAYS, FEDERAL TAX CUTS FOR SMALL BUSINESSES DOESN'T HELP CREATE MORE JOBS, IT ACTUALLY CREATES LESS



Even though the last Presidential debate was about foreign affairs and the US foreign policies, both the candidates did not miss any opportunity to tell viewers which of them loved small businesses more. Both were categorical that they wanted to help entrepreneurs flourish and would do everything possible from tax cuts to federal loans to assist them. Both the President and the Governor agreed that small businesses needed special treatment, because that was where jobs were created. Although the rhetoric sounded plausible and heartening, the truth is that whereas small businesses do create a lot of jobs, they are also responsible for the loss of a lot of jobs. It does sound paradoxical that no one questions the very convincing case that both the Democrats and the Republican espouse about small businesses being the creator of jobs, when the truth is that they also contribute to loss of jobs. Bo Burlingham wrote in an article in Inc. Magazine, titled "Who Really Creates The Jobs?" that "If you were to group together the vast majority of small companies their net job generation would add up to zero." He says that what is more important is not job creation but net job generation. He says the federal approach to encouraging and motivating small industries is all wrong. When you have a broad-based all-encompassing initiative like tax-cuts, it means that it goes to both the companies that have growth potential but also to companies that are a waste of resources. Burlingham argues that the most popular government method of lowering the cost of capital, be it through loan guarantees or direct subsidies, makes the marketplace an uneven playing field as it rewards both the good and the useless. Moreover, it burdens startups with debt that they may find hard to repay. In addition, government loans and financial assistance starts from the grassroots level, where it is hard to differentiate between the worthy and the unworthy and do little to obliterate impediments that obstruct and hinder growth. Obstacles that small business faces are a shortage of qualified recruits for supervisory level jobs, dealing with local government bureaucracies or working with local universities for potential workers. Burlingham suggests the government put in place what he calls an "economic gardening" approach to economic development. A case study that proved very successful for Littleton, Colorado that put in place the suggestion with astounding results. The city provided local companies with knowhow on "marketing, competitive intelligence, and industry trends." It also offered specialized instruction in highly developed management systems. It organized a collaborative telecommunication curriculum and an e-commerce course with the local community college, which helped bring together organizations from the same industry, helping them to interact and learn from one another. Within two decades the number of jobs in the city grew by 100 percent and sales tax revenues increased 300 percent. The government should understand that it is not leveling the playing field that will create more jobs. It is that the youth are to be treated like vulnerable seedlings and need to be nurtured with care. Water them, provide them with fertilizers but weed out those who do not merit being there. So the government would be better off providing the right kind of job training, not at the entry level, but for supervisory jobs. It should help existing local businesses and bolster them rather than try to attract new ones. They should help entrepreneurs negotiate the bureaucracy and help delays in procuring permissions. Academic support will be a great boost to job generation and the government should ensure ways to get the universities involved and that they should make their graduates more technology proficient and more vocation-oriented and last the government should change the tax code to make self-funding easier and not make people dependent on debts and loans.