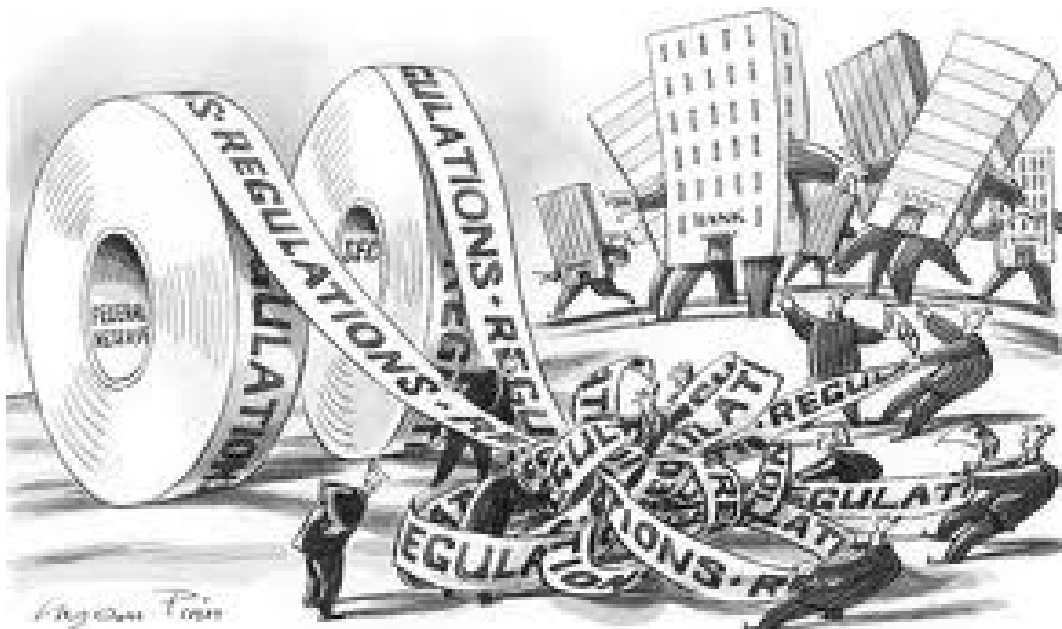


Creating a Jobs Economy

Our nation is struggling to create jobs. You've likely heard that regulations have limited businesses' capital, making it difficult for them to hire or expand. Have you wondered what types of changes to these regulations would help this economy create more jobs? Let's discuss a few key changes that have worked in the past to encourage companies to grow and hire more people.



Many regulations create a big problem for the economy. Which regulations and policies are stopping us from creating the jobs that we are missing? Amity Shlaes writes an interesting article in the Wall Street Journal, [Three Policies That Gave Us the Jobs Economy.](#)”

The first game changer implemented a venture capital investment increase from \$39 million in 1977 to \$570 million in 1978, an increase of 15 times! What policy changed? They

cut the capital gains tax rate from 49% to 25%. In the 1960s, the rate had been raised. What happened then? As Amity says, "The mid-1970s were a dead period." The decrease in the capital gains tax rate generated investments and growth in businesses, which actually brought in more tax revenue for the government.

The second big policy change adjusted the [ERISA law](#), which regulated pension and retirement plans. In 1974, they instituted the prudent man rule, which said that pension plans would be violating their fiduciary responsibility if they invested in risky startup companies like Apple at that time. They relaxed these regulations in the late 1970s, and as a result, more money was invested in small, younger start-up companies that create most of the jobs, as I discussed in an earlier [blog post](#).

The third major policy change centered around intellectual property rights and clarified how ideas in universities and research departments could be sold or used for commercial benefit. Subsequently, so many great ideas surfaced after having been pushed aside on a desk or stuffed into a file cabinet simply because, until that moment, no one had the incentive to go out and reap the benefits.

The lessons here are plentiful! We need to continue to lower the cost of capital transactions and capital gains. When we take from the people with capital, we always get slow growth or dead periods, not more jobs or government revenue. Amity suggests the major regulations of today include [Dodd-Frank](#) and [Sarbanes-Oxley](#). We need to change these policies and reduce the burdens they place on businesses.

Most entrepreneurs understand this instinctively, but we need to share this data with others. Shout it out loud and clear to the policy makers because this information is vital if their real agenda is to create jobs and improve the economy and not just to maintain power.

Want Jobs? Grow Entrepreneurs!



As I travel around the world, I listen to people talk and read the local papers to get a feel for how others view the global economy. It is interesting to try and see the world from their perspective. It seems that many people are just looking for their economies to get better and waiting for leaders to do something about it.

As I discussed in my last blog, I have a different point of view on changing the world. I see it as you, the individual, who holds the responsibility to change the world. Great leaders simply provide the mindset and inspiration for you to do so. They also create an environment that is conducive to allowing the common man to make a difference.

I left the US, traveled to the Netherlands, made my way around Germany and have now landed in our office in India. People everywhere, not just in the US, are out of work due to a global recession. As I write this, global markets are down 3-5% in one day, with negative outlooks. This is an accumulation of governments worldwide trying to solve problems by spending money in an effort to create jobs. It's not government that creates jobs, that in turn change the world, it's the entrepreneur.

This concept is supported in a soon to be released book called [The Coming Jobs War](#) by [Jim Clifton](#), the Chairman of [Gallup](#).

One of our project managers here at Efficiencie, Mike Nelson, sent me [an article](#) that discusses the book. In the article he quotes, and I agree that “Nobody is quite sure where jobs come from. We know how chickens are hatched, but not jobs.”

Clifton also discusses how job growth comes from new companies, 95% of that being within their first year, and the rest from small to medium sized businesses growing and becoming great companies. A key point that most people don't understand is that existing big business doesn't create jobs. NONE of the new jobs come from them.

He goes on to say “Here is something that almost nobody knows. These all-important start-ups and shoot-ups don't occur because of new legislation, new rules, more free money or any other government tweaking. They occur during moments of unusually high inspiration. They are created by Americans seeking the great American dream. Freedom.”

Think about leaders of our past that created inspiration in others. [Abraham Lincoln](#), in the first paragraph of the [Gettysburg Address](#), said “...dedicated to the proposition that all men are created equal” and in the last sentence said “...that government of the people, by the people and for the people shall not perish from the earth.” This inspired a nation to continue the fight to stay together and end enslavement. [Sir Winston Churchill](#)'s comments inspired England to rise up and stand its ground against Hitler. [Gandhi](#) inspired India to rise up without force for its freedom from England.

In business, [Lee Lacocca](#) inspired the people of Chrysler to rise up out of the bankruptcy and become one of the top 3 auto giants in the world. [Bill Gates](#) inspired technology enthusiasts around the world to start businesses. Ronald Reagan reduced the friction of government and inspired a nation to unleash entrepreneurs in the mass.

Let us hope for more inspiring leaders like these so that entrepreneurs around the world can continue to do their thing: create jobs.