

# Seeing 30,000-foot picture

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Carter

The man in the aisle seat is trying to tell me why he refuses to hire anybody. His business is successful, he says, as the 737 cruises smoothly eastward. Demand for his product is up. But he still won't hire.

"Why not?"

"Because I don't know how much it will cost," he explains. "How can I hire new workers today, when I don't know how much they will cost me tomorrow?"

He's referring not to wages, but to regulation: He has no way of telling what new rules will go into effect when. His business, although it covers several states, operates on low margins. He can't afford to take the chance of losing what little profit there is to the next round of regulatory changes. And so he's hiring nobody until he has some certainty about cost.

Fewer than one of six small businesses added jobs last year, and not many more expect to do so this year. The private sector is creating no more new jobs than it was a year ago; the man in the aisle seat is trying to tell me why.

He is trim and white-haired and bursting with energy. He's proud of the business he has built: not large by the way things are measured these days, but certainly successful. He shows me sales figures, award citations, stories from trade

magazines. I congratulate him, then turn to the window and enjoy the view for a bit. We are flying over the Midwest, away from the setting sun and toward the darkness. America stretches beneath us in every direction, flat and broad and beautiful. My seat-mate has just discovered that I am a law professor: That is the reason for his discourse.

### **Party doesn't matter**

"I don't understand why Washington does this to us," he resumes. By "us," he means people who run businesses of less-than- Fortune-500 size. He tells me that it doesn't much matter which party is in office. Every change of power means a whole new set of rules to which he and those like him must respond. "I don't understand," he continues, "why Washington won't just get out of our way and let us hire."

There are a lot of responses I could offer at this point. But I am interested now; I prefer to let him talk.

It isn't just hiring that is too unpredictable, he says. He feels the same way about investing. He has never liked stock markets; he prefers to put cash directly into businesses he likes in return for a small stake, acting, in short, as a small-time venture capitalist.

"Can't do that now," he says. For people like him - people who aren't filthy rich - it has become too hard to pick winners. But he doesn't blame the great information advantages enjoyed by insiders. He blames Washington, once more, for creating a climate of uncertainty.

### **Why not sell?**

Growing bold - or maybe rude - I ask why, if the climate is so terrible, he doesn't just sell his company. This brings a smile.

"I think about retirement a lot," he says. "But I can't." I wait to hear about how much he loves the business he founded, or about his responsibilities to his employees, or perhaps to the town, somewhere in the Dakotas, where his factory is located. Instead, he tells me that it's impossible to make a sensible decision about winding down his firm when he doesn't even know from one year to the next what the capital gains rate is going to be.

I argue a bit. Surely government isn't all bad. It protects property, the environment, civil rights.

### **No 'installed base'**

My seat-mate seems to think that I'm missing the point. He's not anti-government. He's not anti-regulation. He just needs to know as he makes his plans that the rules aren't going to change radically. Big businesses don't face the same problem, he says. They have lots of customers to spread costs over. They have "installed base."

For medium-sized firms like his, however, there is little wiggle room to absorb the costs of regulatory change. Because he possesses neither lobbyists nor clout, he says, Washington doesn't care whether he hires more workers or closes up shop.

We will be landing shortly in Minneapolis. I ask him what, precisely, he thinks is the proper role of government as it relates to business.

"Invisible," he says. "I know there are things the government has to do. But they need to find a way to do them without people like me having to bump into a new regulation every time we turn a corner." He reflects for a moment, then finds the analogy he seeks. "Government should act like my assistant, not my boss."

We are at the gate. We exchange business cards.

On the way to my connection, I ponder. As an academic with an interest in policy, I tend to see businesses as abstractions, fitting into a theory or a data set. Most policy makers do the same. We rarely encounter the simple human face of the less-than-giant businesses we constantly extol. And when they refuse to hire, we would often rather go on television and call them greedy than sit and talk to them about their challenges.

Recessions have complex causes, but, as the man on the aisle reminded me, we do nothing to make things better when the companies on which we rely see Washington as adversary rather than partner.

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