



## What the President Can Learn from Business Executives

By: Kathryn Buschman Vasel - November 13, 2012

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The president is looking to get insight and support from leaders and lawmakers regarding the looming fiscal cliff and will sit down with top executives from the business community on Wednesday to discuss how to lower the national debt and reignite economic growth.

“Businesses are on the front lines, they see things and can explain how they impact their business’ balance sheets, hiring and investing practices and financial decisions,” said Kenneth Wisnefski, owner and founder of WebiMax, an online marketing firm with 100 employees. “[Lawmakers] are always speaking about growing small businesses, but they are so disconnected with what a small business is; any business insight will help these negotiations.”

According to Chris Edwards, CATO’s director of tax policy, big businesses produce most of the U.S.’s exports and contribute to half of the country’s GDP, making them a logical party to bring into the discussions. “Big businesses are crucial to our economy, they invest the most in research and develop and technological advancements come from these corporations.”

Holding talks with business leaders can reinforce the urgency of the deficit problem and sway both sides that action is necessary.

“They can provide their views on the degree of balance that businesses are looking for: the need to raise revenues as well as reform spending. There will be no deal without that, and the fact is that those who oppose it need to hear from business that business supports this idea,” said Robert Shapiro, former under secretary of commerce for Economic Affairs, IMF advisor and current chairman of Sonecon.

Businesses need the fiscal cliff to be avoided and the deficit to be under control to protect their future growth, but they aren’t interested in the politics of the deal, according to Shapiro.

“They want a resolution, they want solid growth. The impact on growth comes from resolving the terms. As far as they are concerned, how we resolve our deficit problem is a political matter which has been settled by the election, they just need to know it will be avoided.”

Going off the fiscal cliff brings a series of tax increases and spending cuts that Shapiro said will be a “terrible shock to our economy and halt any growth potential.”

The business community has increasingly called for lawmakers and the administration to work together to avoid falling off the cliff. On Tuesday the Technology CEO Council submitted a letter addressed to the president and lawmakers urging them to “work together and pass concrete legislation that (1) forestalls much of the across-the-board spending cuts and immediate tax increases often called the 'fiscal cliff' and (2) implements a pro-growth framework for long-term fiscal sustainability.” The letter was signed by Dell (DELL) Chairman Michael Dell, IBM (IBM) Chairman Ginny Rometty and Intel (INTC) CEO Paul Otellini.

No matter what topics are discussed, Wisnefski wants the meeting to bring a clear plan of action—whether he likes it or not. “I would rather have the information on their plan of action, whether I agree or not, so I can react and plan for it. For businesses right now, the worst part is the uncertainty out there.”

Worrying about the fiscal cliff, and the impending consequences if a deal isn't reached preoccupies businesses, said Ty J. Young, president and CEO of investment company Ty J. Young Inc. “Not knowing makes you defensive, which means you can't play offense. If you are defensive you spend your time and energy looking for ways to avoid risk instead of looking for opportunities to grow and expand.”

Following his victory last week, Obama said he wants to build a consensus to avoid the fiscal cliff, but stood firm against raising taxes on high-income earners.

“I want to be clear. I'm not wedded to every detail of my plan. I'm open to compromise,” he said in the East Room of the White House. “I'm open to new ideas. I'm committed to solving our fiscal challenges.... I am not going to ask students and seniors and middle class families to pay down the entire deficit while people like me making over \$250,000 aren't asked to pay a dime more in taxes.”

On Tuesday, Obama met with labor leaders including Richard Trumka from the AFL-CIO, Mary Kay Henry, president of the Service Employees International Union and Lee Saunders from the American Federal of State, Country and Municipal Employees. At the end of the week, Obama will sit down with lawmakers to try to craft legislation.

Getting as much information from a variety of opinions and insight can be beneficial, but Dean Baker, co-chairman of Center for Economic Policy and Research, called the discussions mostly symbolic, and says that it is unlikely the president will hear something he hasn't heard before.

Experts expect corporate tax rates to be on the list of items to hash out. “Obviously [businesses] have an agenda, they are pushing for lower tax rates, they want to make it seem that if tax rates go up something horrible will happen to economy, but we've been there where the economy does well even with higher corporate tax rates,” said Baker. Edwards disagreed, noting the country's corporate tax rate is the highest in the world and that it needs to be reduced to keep the U.S. competitive.

“Cutting the tax rate should be the first thing to tackle in the New Year -- it would help Obama’s image of being anti-business and it would make the economy grow stronger, which in turn provides the government more revenue.”

Edwards advised the president to take the opportunity to learn more about the businesses and understand how they make investment decisions. “A year ago people started noticing that big corporations were holding onto cash and not spending it. We need those companies to invest here in the U.S. and China but they are worried about the macro-economic stability and we need them to open up plants here in the U.S., not Mexico or China

"State governments do a better job these days listening to corporations to lure them to build plants and facilities.”