

Good Day Ladies and Gentlemen. Thank you for inviting me to speak to your organization.

The article on the following pages from the CEO of the GALLUP Organization focuses on the vital role of small business creation in our society.

Please also consider the damaging impact of current trade policies, polices favoring giant multi-national corporations at the expense of small businesses, workers and communities across America. The decline of our standard of living is directly caused by our growing reliance on imported goods; by our failure to make what we need and sell the rest. Our most challenging economic problems can be resolved by eliminating our trade deficit; this would add between 4% and 5% to US economic growth, allow us to reduce costly government programs and substantially raise minimum wages.

If America balanced its trade deficits (averaging over \$715 Billion annually for the last 10 years) the increased demand for US-made goods would directly create over 6 million new US manufacturing jobs within 3 years, plus more than 2 million additional US jobs.

Former Assistant Secretary of Commerce, Ken Davis

Let's get one thing clear: This economy is never truly coming back unless we reverse the birth and death trends of American businesses.

Jim Clifton, Chairman and CEO of Gallup

Wall Street marks-up the cost of their “services” to earn \$500 billion in after tax profits; they claim their profits improves the economy. In the same breath they claim that if worker’s wages rose by \$500 billion the economy would collapse.

Raymond M. Mullaney, CEO

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#### It is possible to:

1. Double the wages of the bottom 1/3 (40 million people) of American workers, in 3 years;
2. Double the number of small businesses in America, in 6 years;
3. Balance the federal budget in 3 years and start to repay our national debt;
4. Cut the size and cost of government by 30% in 10 years;
5. Convince Americans to support sizable tax breaks to create millions of *small* businesses;
6. Convince small business owners to support higher minimum wages, to create more customers;
7. Create a fair method of taxing Americans and eliminate the IRS.

#### Here’s how:

1. Eliminate our Trade Deficit - China was given “Most Favored Nation Trade Status” in 2000. That policy destroyed millions of American small businesses and good jobs. Trade made China the greatest threat to world peace. Both Democrat and Republicans defend these trade policies.
2. Defer corporate taxes (for small businesses) on the first \$50 million of income from exports;
3. Eliminate income taxes on the first \$20 million of income for small businesses and practicing MDs;
4. Eliminate income taxes on the first \$5 million for students a STEM & language arts Master’s Degrees;
5. Increase taxes on Wall Street, Hedge Funds and on the top 1% of wealthy individuals;
6. Cut federal & state spending by 3% each year for ten years;
7. Halt all immigration, except for individuals with advanced medical and science degrees;
8. When we’ve made the first 3% federal spending cut, raise min. wages by \$2.75 per year for 3 years;
9. Add the higher labor costs to the prices of the goods and services.
10. Rigorously enforce anti-trust, monopoly laws and re-enact the Glass-Steagall Act.

**GALLUP**

# American Entrepreneurship: Dead or Alive?

By Jim Clifton, Chairman and CEO of Gallup

January 13, 2015

## Story Highlights

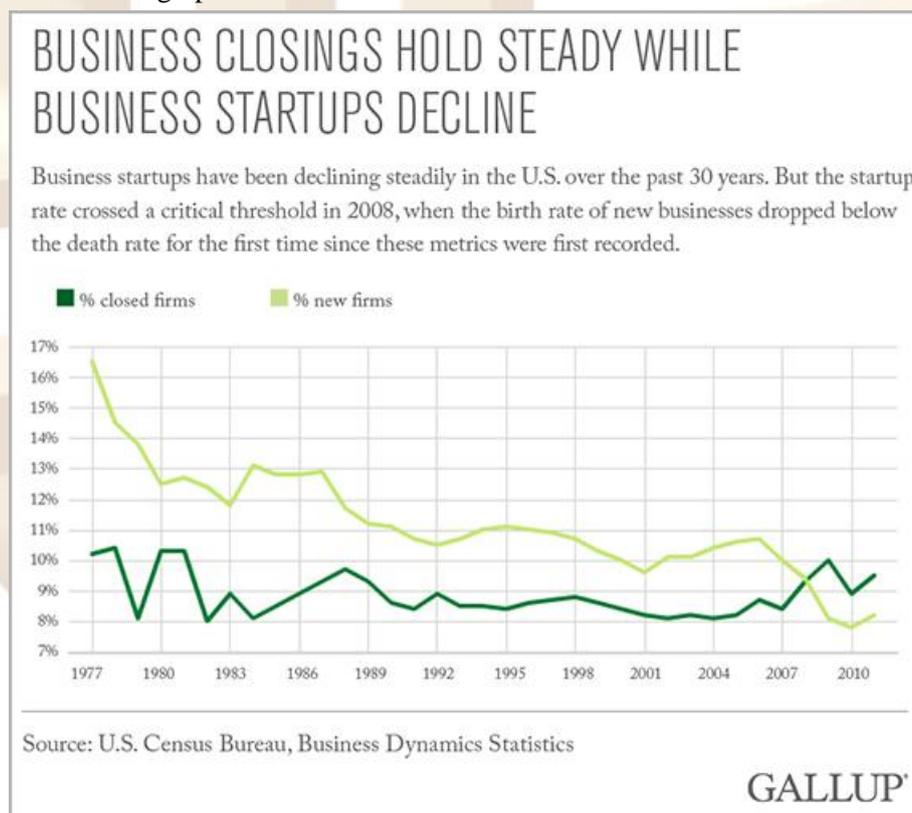
- *The birth and death trends of U.S. business must be reversed*
- *The economy is more important to security than the military*
- *America has misdiagnosed the cause and effect of job creation*

The U.S. now ranks not first, not second, not third, but 12<sup>th</sup> among developed nations in terms of business startup activity. Countries such as Hungary, Denmark, Finland, New Zealand, Sweden, Israel and Italy all have higher startup rates than America does.

We are behind in starting new firms per capita, and this is our single most serious economic problem. Yet it seems like a secret. You never see it mentioned in the media, nor hear from a politician that, for the first time in 35 years, [American business deaths now outnumber business births](#).

The U.S. Census Bureau reports that the total number of new business startups and business closures per year -- the birth and death rates of American companies -- have crossed for the first time since the measurement began. I am referring to employer businesses, those with one or more employees, the real engines of economic growth. Four hundred thousand new businesses are being born annually nationwide, while 470,000 per year are dying.

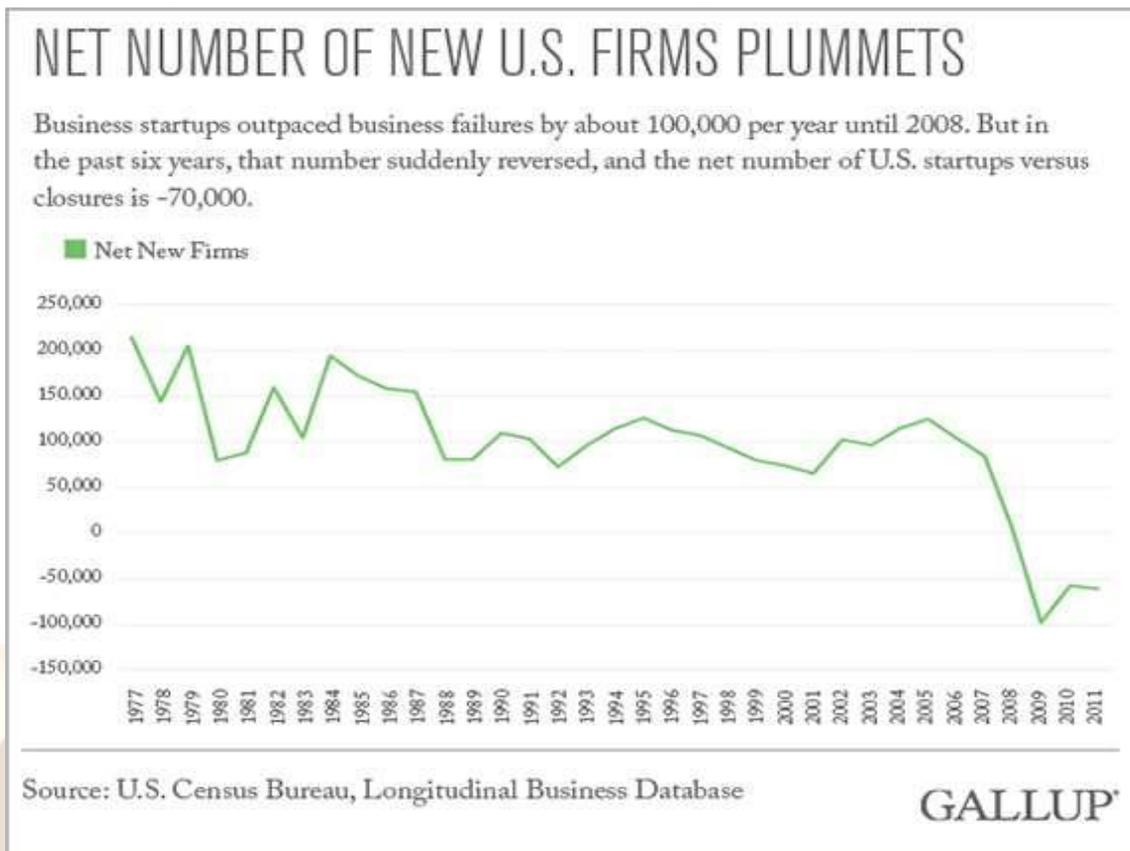
You may not have seen this graph before.



Until 2008, startups outpaced business failures by about 100,000 per year. But in the past six years, that number suddenly turned upside down. There has been an underground earthquake. As you read this, we are at minus 70,000 in terms of business survival. The data are very slow coming out of the U.S. Department of Census, via the Small Business Administration, so it lags real time by two years.

## Net Number of New U.S. Firms Plummets

Business startups outpaced business failures by about 100,000 per year until 2008. But in the past six years, that number suddenly reversed, and the net number of U.S. startups versus closures is minus 70,000.



My hunch is that no one talks about the birth and death rates of American business because Wall Street and the White House, no matter which party occupies the latter, are two gigantic institutions of persuasion. The White House needs to keep you in the game because their political party needs your vote. Wall Street needs the stock market to boom, even if that boom is fueled by illusion. So both tell us, "The economy is coming back."

Let's get one thing clear: This economy is never truly coming back unless we reverse the birth and death trends of American businesses.

### Dead-Wrong Thinking

It is catastrophic to be dead wrong on the biggest issue of the last 50 years -- the issue of where jobs come from. Our leadership keeps thinking that the answer to economic growth and ultimately job creation is more innovation, and we continue to invest billions in it. But an innovation is worthless until an entrepreneur creates a business model for it and turns that innovative idea in something customers will buy. Yet current thinking tells us we're on the right track and don't need different strategies, so we continue marching down the path of national decline, believing [innovation will save us](#).

I don't want to sound like a doomsayer, but when [small and medium-sized businesses are dying faster than they're being born](#), so is free enterprise. And when free enterprise dies, America dies with it.

Let's run some numbers. You will often hear from otherwise credible sources that there are 26 million businesses in America. This is misleading; 20 million of these reported "businesses" are inactive companies that have no sales, profits, customers or workers. The only number that is useful and instructive is the number of current operating businesses with one or more employees.

There are only 6 million businesses in the United States with one or more employees. Of those, 3.8 million have four or fewer employees -- mom and pop shops owned by people who aren't building a business as much as they are building a life. And God bless them all. That is what America is for. We need every single one of them.

Next, there are about a million companies with five to nine employees, 600,000 businesses with 10 to 19 employees, and 500,000 companies with 20 to 99 employees. There are 90,000 businesses with 100 to 499

employees. And there are just 18,000 with 500 employees or more, and that figure includes about a thousand companies with 10,000 employees or more. Altogether, that is America, Inc.

Let me be very clear. America, Inc. is far more important to America's security than our military. Because without the former prospering -- and solvent -- there is no latter. We have enormous military power only because of a growing economy that has, so far, made it possible for the government to pay its bills. When former Chairman of the Joint Chiefs of Staff, Adm. Mike Mullen, was asked in a Senate hearing on June 28, 2011, to name the biggest current threat to the security of the United States, he didn't say al-Qaida. He didn't say Iran's nuclear capabilities. He answered, "I believe our debt is the greatest threat to our national security."

### **Declining Businesses Mean Declining Revenues for Social Spending**

Keep in mind that these 6 million businesses, especially small and medium-sized ones, provide jobs for more than 100 million Americans and much of the tax base for everything. These small, medium and big businesses have generated the biggest economy in the world, which has allowed the country to afford lavish military and social spending and entitlements. And we've been able to afford all of this because, until now, we've dominated the world economy.

When new businesses aren't being born, the free enterprise system and jobs decline. And without a growing free enterprise system, without a growing entrepreneurial economy, there are no new good jobs. That means declining revenues and smaller salaries to tax, followed by declining aid for the elderly and poor and declining funding for the military, for education, for infrastructure -- declining revenues for everything.

America has maintained the biggest tax coffers in the world because its 300+ million citizens have produced and owned one-quarter of virtually all global wealth. The United States clobbered everyone in the battle of free enterprise, in the battle of business building, and in the battle of inventing the future. Until recently, America had blown the world away in terms of economic success. We are now quickly losing that edge, and everything we're trying to do to fix the problem is dead wrong.

Here's why: Entrepreneurship is not systematically built into our culture the way innovation or intellectual development is. You might say, "Well, I see a lot of entrepreneurial activity in the country." Yes, that's true, but entrepreneurship is now in decline for the first time since the U.S. government started measuring it.

The whole country and subsequently the world are having their own dead-wrong moment, and it is causing America and the whole world to make everything worse. And people know it, though they may not know why. When Gallup asked Americans to rate how much they personally worry about [particular problems facing the country](#), the top three issues that respondents worry about a "great deal" were the economy (59%), federal spending and the budget deficit (58%), and the availability and affordability of healthcare (57%).

The more we execute on our leadership's erroneous belief in innovation, the more our engine stalls out -- and the more people rightly worry about economic issues.

Because we have misdiagnosed the cause and effect of economic growth, we have misdiagnosed the cause and effect of job creation. To get back on track, we need to quit pinning everything on innovation, and we need to start focusing on the almighty entrepreneurs and business builders. And that means we [have to find them](#).

We would be happy to provide you with additional information, via emails, about policies, organizations and politicians that offer innovative solutions to America's growing economic problems.

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