



Opening Statement
Chairman Walsh
House Committee on Small Business
Subcommittee on Economic Growth, Tax and Capital Access
Field Hearing Entitled: “Is Uncertainty Contributing to the Jobs Crisis: The view of Local Illinois Small Businesses”
Dec 12, 2011 10am CST

This hearing of the Small Business Economic Growth, Tax and Capital Access Subcommittee is called to order.

I would like to thank each of the witnesses for appearing today. We look forward to hearing your testimony.

According to economists, the recession ended more than two and a half years ago. While that may be the view in certain academic circles and on Wall Street, it is definitely not the view or experience of small businesses on Main Street or the over 13 million Americans who remain unemployed.

According to statistics from the Small Business Administration’s Office of Advocacy and the National Federation of Independent Business, small businesses suffered more than their larger counterparts in the recession and their optimism about the future is also lower than that expressed by larger businesses.

While the experiences they faced in the difficult recession may account for some of this sentiment, a growing body of evidence and the voices of small business owners are demonstrating that policy actions and inactions in Washington are, in no small, part causing their malaise.

The economy needs entrepreneurs to take risks and invest in the kinds of capital improvements that will expand their businesses and create new jobs.

However, when faced with uncertainty, businesses are often reluctant to bear new risk and as a result, hold off on making new investments.

In a recent research paper, economists from The University of Chicago and Stanford University created a “policy uncertainty index” that tracked business concerns about the direction of federal spending, tax and other policies and measured their impact on the broader economy and employment.

In applying econometric models to publically available data going back to 1985, the researchers found that policy uncertainty has had significant effects on the broader economy and has impaired the creation of 2.5 million jobs.

A similar study by the Federal Reserve Bank of Cleveland found that in 2011 the percentage of small business owners planning to hire would be 6 percentage points higher if it were not for policy uncertainty.

This is not rocket science. It’s common sense. If you’re a business owner and need to hire another employee or buy some new equipment, but you’re unsure about how Washington is going to change your taxes or how much a new regulation is going to cost your company, you will hold off on that purchase or that hire. Scenarios like that are playing out across the country. This policy uncertainty is preventing American small businesses from creating jobs and it is crushing economic growth.

The Obama Administration doesn’t understand this. It doesn’t understand how business works. In the last fiscal year alone, federal agencies unleashed 43 major new rules. According to the National Federation of Independent Business, the cost of implementing these rules is \$28 billion – the highest level

since 1981. Who is going to make any new hires or buy any new equipment when they may have to comply with \$28 billion in new rulemaking?

The purpose of today's hearing is to learn how policy actions and inaction in Washington are affecting local Illinois small businesses and to hear their recommendations on how government can create a more positive business environment conducive to job creation.