Why Businesses Do Not Hire

This conversation between law professor Stephen Carter and a passenger on an airplane as written in *Carter: Stagnation Explained, at 30,000 Feet*, Bloomberg, May 26, 2011 reflects numerous conversations I have had with fellow business people for the last few years.
Excerpts:

> *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.*
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> *"Why not?"*
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> *"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?"*
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> *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.*
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> *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.*
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> *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.*

HKO comments:

Professor Carter highlights the perspective that I see routinely, yet that I rarely see represented by the talking heads on the media outlets. As the passenger noted, these business people do not have lobbyists and do not get exemptions from the laws and regulations forced down their throats. Nor do they have such wide margins that they can continue to absorb endless poorly thought out regulations thrust upon them by legislators and an administration that has never had to meet a payroll in their life.

On TV we see crony capitalists who work as hard to politically game the system as they do to satisfy a customer. These are not the businesses that will pull us out of this business malaise.

One does not invest, or start and grow a business to pay more taxes and to hire more workers. One does these things to make a return on their investment. The more the government impedes that objective the more stunted this recovery will be.