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How can Florida create jobs? Focus on catalysts

By Dileep Rao
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The belief that small businesses can create jobs is influencing government policy and the allocation of resources. So why are they not creating them — even with a trillion-dollar stimulus? Maybe the more relevant question is not who creates jobs, but why?

Businesses create jobs to satisfy demand. Most businesses with sales under $2 million sell to local markets. Local markets include:

• Local consumers with increased purchasing ability. But the transfer of so many U.S. jobs to other countries has resulted in a reduction in the purchasing power of American consumers.

• Other local small businesses. A shrinking of local markets is likely to cause all to suffer.

• New companies in hot industries like the Internet added new ventures, and small businesses to serve them. However, there have not been any "hot" industries since. And even if there is one, will any imports of manufactured products cause a further deterioration of American wealth?

Note: Many are expecting “innovation” to rescue America. Apple is said to have 10 people producing products in China for each U.S. employee. This is helping China create more jobs than the U.S.

• Multinationals: Many American multinationals have shipped operations and jobs overseas.

• Area offices of governments. If we are relying on government borrowing to pull itself out of this depression, that strategy will soon end.

For small businesses to create sustained jobs, the combined spending ability of local markets needs to increase. Otherwise, one small business may create jobs, but at the expense of another. With the transfer of approximately $7 trillion of American wealth (as a result of trade deficits) to other countries in the last 20 years, total purchasing ability in most local areas in the United States has been devastated.

To create jobs, we need to increase purchasing power — assuming that we cannot borrow unlimited amounts and forever. The only way to increase purchasing power is to export more and import wealth so that small businesses can create jobs. This means that job creation should focus not on the creators but on the catalysts that generate wealth.

Tax incentives should go to the wealth generators and Florida is uniquely positioned to export, especially to Latin America. Instead of new or old, small or large, we should classify businesses as importers, circulators or exporters (and wealth generators) and target incentives accordingly.

Importers import goods into a community and export wealth. Circulators are businesses like local restaurants that “churn” the wealth in the region. Exporters sell goods or services to wider, non-local markets and import wealth. Without exporters, an area's wealth will diminish as others import, leading to fewer jobs. Exports (and importing of wealth) are crucial to job creation.

Some small businesses may start as importers or circulators, but add wealth as they grow. So companies like Wal-mart are shipping U.S. wealth to China, but they are making areas like Arkansas richer. Regions can benefit by developing or recruiting these kinds of companies.

The catalysts for small business job creation can take many forms. In the 1970s and 1980s, larger companies outsourced manufacturing to smaller ones in the U.S. In the 1990s, the Internet created new ventures and jobs. In the early 2000s, debt-based consumer spending spurred the creation of jobs.

Rather than offering incentives to businesses by size, the U.S. needs to promote catalysts that can increase area purchasing power and give higher incentives to wealth generators — and make them the anchors of the economy. Otherwise, we will be making China, Japan, and Germany richer and creating jobs there.

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