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JEC Examines Declining Economic Opportunity, Disparate Recovery

Joint Economic Committee Chairman Pat Tiberi (R-OH) held a committee hearing entitled "The Decline of Economic Opportunity in the United States: Causes and Consequences" on April 5, 2017. At the hearing, JEC members discussed that despite a modest recovery, the economy continues to be weighed down by burdensome regulations and an antiquated tax code. These artificial constraints prevent new firms from forming and new jobs from being created.

Chairman Tiberi explained that in many parts of the country, the recovery has been slow and uneven:

> *"**In my home state of Ohio, we've made strides in encouraging businesses to come to our state and our unemployment rate has dropped at a steady pace over the past few years. However, that hasn't been true for every part of the state.** We can do better, especially for the communities where folks feel they are being left behind. In Ohio that is in counties in Appalachia and in*

areas surrounding urban centers of Ohio; the dynamics of the rural and urban poor couldn't be more different."

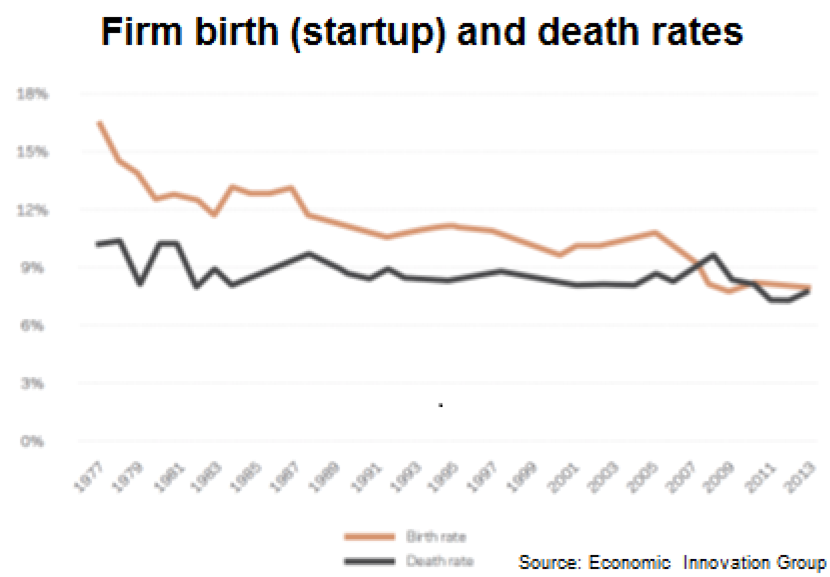
Dr. Time Kane, a fellow at the Hoover Institution, delivering testimony on behalf of the **Honorable Ed Lazear**, a fellow at the Hoover Institution and former chairman of the President's Council of Economic Advisers, further said:

> "States vary in their performance, partly because they opt for different tax and labor-market policies. **State-based policy changes can be helpful to growth, but it is important to encourage genuine growth rather than mere transfers of prosperity from one region to another** … The most important remedy for local ills is a growing national economy. A rising tide may not lift all boats equally, but draining the ocean will not help those with the least forward momentum."

John Lettieri, co-founder of the Economic Innovation Group, explained that a contributing factor to the weak recovery is the decline of economic dynamism – that is the rate and scale of firm births and deaths. He said:

> “We see the startup rate has collapsed. **At the core of the broader decline in economic dynamism is a steep drop in new firm formation.** This holds across all industries and all regions of the country … **Even as the broader economy rebounded, the startup rate has barely budged** … this is a deeply troubling development.

He goes on to explain that new firms are the “most potent engine for net job creation.” Lettieri pointed out that established firms tend to shed more jobs than they create in an average year while new firms are consistently net job creators.



Congressman David Schweikert (R-AZ) asked about the ballooning amount of regulations employers have faced in recent years and if it contributes to a declining number of new firms being created. **Dr. Kane** replied that complex, burdensome regulations were a contributing factor to the decline of startups. He explained they were a disincentive for potential entrepreneurs and encouraged workers to stay in current positions with established employers who were better equipped to handle the regulatory onslaught.

Congressman Erik Paulsen (R-MN) began a [conversation](#) about the disparity of occupational licensing requirements and there was bipartisan agreement that not only were the inconsistent requirements constraining the economy, but they were hindering individuals’ ability to pursue new opportunities.

Congresswoman Barbara Comstock (R-VA) pointed out that 78 percent of venture capital goes to just three states and that lack of access to capital for would-be entrepreneurs is one of the biggest inhibitors to new businesses. She mentioned that Chairman Tiberi’s [Investing In Opportunity Act](#) would encourage investment in struggling areas and drive economic growth right where it is needed most.

Expanding opportunity for all Americans, despite their geographic locations, differing skill sets and varied education levels, means supporting a thriving economy. Members and witnesses agreed that job creators, whether with new firms or established businesses, must have the freedom and flexibility to grow, expand, and hire without the constraints of unnecessary, burdensome regulations and an overly complex tax code.

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