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Why Business Isn't Getting 'In The Game'

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President Obama stood in front of the Chamber of Commerce last week and told American businesses to “get in the game” by investing their massive cash reserves to stimulate jobs, demand and overall economic growth.

Whether the president's call for the private sector to invest more aggressively is successful depends on the theory one has about why businesses have stayed on the sidelines to this point, not investing their mountains of cash.

The theory implicit in the president's speech is that the business community has simply not been paying close enough attention, that it has overlooked promising investment opportunities.

But another theory is that the business community has been paying very close attention — most particularly to the president himself — and what it sees is cause for concern.

Under this theory, businesses may not see the president as having made a gentle suggestion that they reconsider investment opportunities that are attractive on their own terms. Instead, they may fear he's made a demand that they deploy their capital or face consequences.

The president is right to compare big markets with big games. But the game to envision is not football but poker. Successful firms are sophisticated players. They don't show up to the table without a large stake. The mountains of cash companies are hoarding provide plenty of bank for that purpose.

Misspent Stimulus

But they also don't ante up if they think that any moment in the middle of the hand the dealer is likely to announce that the wild cards are deuces, kings and one-eye jacks, until he decides they are not.

We think the administration might want to consider the hypothesis that the particular context of its own interactions with business may support the alternative theory about why the president's recent remarks may not help. The extraordinary degree and nature of the particular changes to the basic rules of the game that this administration already has overseen may be big reasons why cash is hoarded.

Since President Obama has taken office, the business community has seen a \$787 billion stimulus package that was poorly designed and largely misspent, a massive increase in the federal government deficit and a total

overhaul of the health care system, which is a big component of every employment relationship.

It also watched the president deploy his bully pulpit to hurl epithets like “fat cats” when referring to finance professionals. It saw him stand with his entire economic team on national television to call out one group of secured creditors in an effort to shame them into surrendering their property rights during the Chrysler bankruptcy.

Sweet Talk

Most recently, it watched as the Dodd-Frank Act brought more sweeping changes to the structure of American financial regulation than the combination of every other action since the New Deal.

This history sheds light on why the business community was largely silent in response to the president's recent article in the Wall Street Journal, in which he discussed a recent Executive Order requiring a government-wide review of federal regulations so as to eliminate rules that stymie economic growth.

A lesson can be drawn from the example he gave: “If the FDA deems saccharin safe enough for coffee, then the EPA should not treat it as hazardous waste.” Against the present background, some in the market may see this as an attempt to use artificial sweeteners to cover a very bitter taste.

Some just may not believe Obama's new business overtures, seeing them as too saccharine to whet the appetite of a serious market participant. Some may perceive them as well-meaning, but fear that they signal yet so many more big changes to the rules of the game that prudence requires patience before any serious investments can be designed, let alone implemented.

If the alternative theory is right, then against the president's history of populist business-bashing and successive changes to the basic rules of the game may combine to make his repeated incantation in the recent State of the Union Address that “We do big things” an unfortunate reason that business may continue to only make penny antes.

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