

## What Election Day 2012 Means to Business

Written by Dan Juneau

Wednesday, 14 November 2012 08:00 -

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The French have an expression: “Plus ça change, plus c’est la même chose.” The more things change, the more they stay the same. That may well be the most accurate description of the outcome of the 2012 national elections.

Entering election night, Barack Obama was President, the Democrats controlled the Senate, and the Republicans controlled the House. The morning after the election, nothing changed except the shift of a few seats. If the voters were tired of the status quo, if they wanted to blow up gridlock, and if they thought Congress was as despicable as all of the polls indicated, they sure didn’t act on those emotions.

Inertia may have won the elections, but forces are at work to make sure that things don’t stay the same. Those forces will have an immense impact on businesses, the economy and the fate of millions of workers both employed and unemployed.

If nothing changes between today and New Year’s Day, hundreds of billions of dollars in tax increases and critical budget cuts will occur. If only one of those things were happening, the economy would be significantly impacted.

Doing both at once will have a huge impact on a lethargic economic recovery. The “Bush” tax cut sunset along with not renewing the payroll tax cut and addressing the Alternative Minimum Tax will drive up taxes by \$500 billion in 2013, an average of \$3,500 per household. Anything resembling that amount of money going out of the economy cold turkey will greatly diminish consumption and fuel recessionary fires.

Since Congress and the president could not agree on spending cuts to rein in the explosion of federal debt and deficits, they passed legislation that would automatically cut spending across

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the board in defense and non-entitlement discretionary spending by \$1 trillion next year. Cuts of that magnitude will result in hundreds of thousands of lost jobs and further weakening of the economy. Businesses have a huge stake in how the “fiscal cliff” is resolved. So do their workers. There isn't much hope about how this change is going to be handled.

The status quo in the legislative and executive branches creates additional concerns for the business community.

Trillions of dollars of job-creating investment capital have sat idle on the sidelines recently. Many businesses have wondered about what their tax rates would be, a critical factor in determining investment strategies. Exporters already struggle with paying the highest corporate taxes in the world, much higher than their competitors in the foreign countries that buy their exports. Increasing business taxes will only make the situation worse.

The explosion of federal regulations and their costly impact on business operations and profitability will likely continue to expand in President Obama's second term. Those regulations increase costs and stifle productivity, often with little positive impact gained by consumers. The one area of uncertainty that has been removed due to the election—the fate of ObamaCare—is not a plus for job creation. In fact, it is the opposite. One of the biggest potential areas for rapid job creation and economic growth in our economy is energy exploration and production.

Shale drilling and federal lands development could help reshape our economy, the job market, and the availability of affordable energy for consumers. Unfortunately, President Obama's regulatory policies that have suppressed this development are likely to remain the same—if not get worse.

If more government creates true value-added jobs, reduces the debt and deficit, and fosters sustainable economic growth, then Election 2012 was likely a step in the right direction. If not, then the French probably had it right.

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