Employment Impacts From Taxes and Regulations

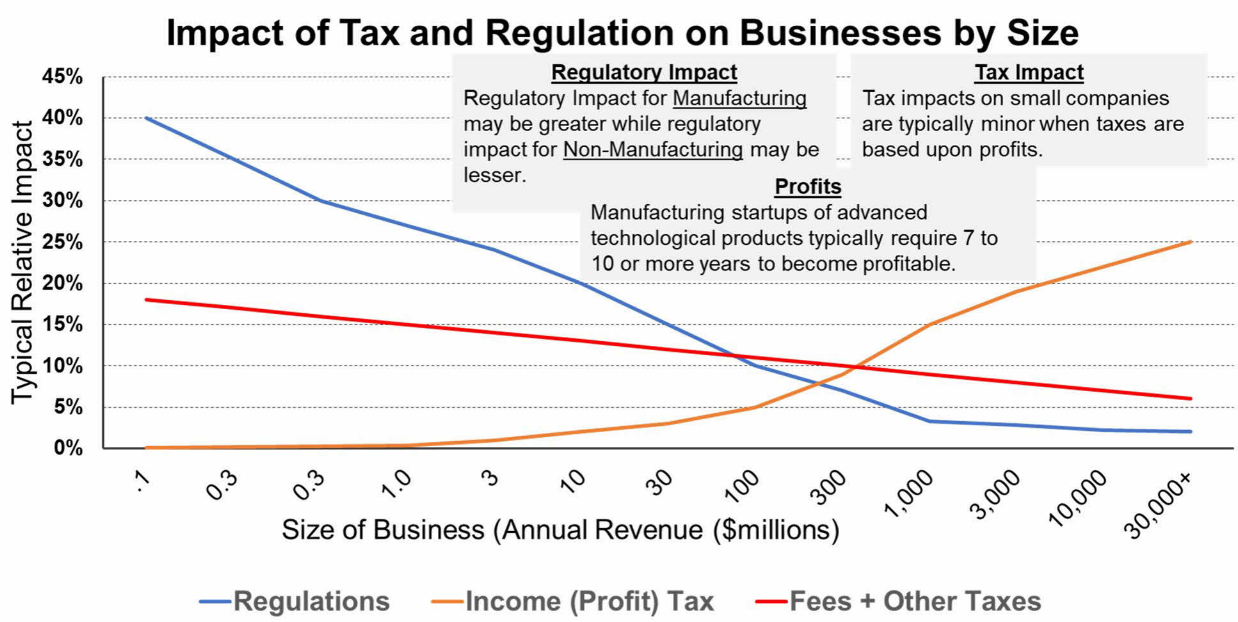
Introduction

The United States is viewed globally as the leading country for entrepreneurs. A large part of that reputation is due to Silicon Valley; the global center for semiconductor development and manufacturing that enabled the creation of personal computers, the Internet, mobile phones, video games, GPS navigation, streaming TV, etc. Semiconductor manufacturing is no longer performed in Silicon Valley[1] and most companies manufacture outside the US.

How to Prevent Innovative Technological Manufacturing Startups

Governments tend to feel that they alone can and must protect workers and residents from any and all perils, real or imagined. Protections created by governments sound reasonable but have succeeded in inhibiting manufacturing in the US thus driving millions of great jobs offshore.

1. Create well-intentioned government regulations that increase costs to prevent accidents that never happened in the US but took place in other countries and made news in the US.
2. Develop government monitoring groups that cause manufacturers to build departments whose main function is to interface to those government monitoring groups.
3. Require frequent and detailed reports to government agencies by manufacturing operation causing manufacturing workers to shift time from manufacturing to producing reports.
4. Charge fees on manufacturing companies (even companies that have not yet made a profit or even manufactured their first product) to pay for government monitoring and regulatory departments that self-perpetuate and grow by generating new regulations each year.
5. Tax companies before they are profitable by creating taxes on wages paid, unexercised stock options to employees, revenues, capital equipment, inventory, etc.



Impacts on Manufacturing Companies

- Most companies find it advantageous to manufacture portions of products (i.e. automobile engines, electric motors) or entire products (i.e. pharmaceuticals) outside the US.
- Many great US manufacturing companies of the 1970s, 1980s and 1990s (i.e. Westinghouse) have disappeared due to high US costs and failing to go offshore quickly.
- Many essential medicines, or their critical ingredients, were manufactured in the US but are now made outside the US, mostly in Asia, even medicines sold by US companies.
- Initially only small and light products were made offshore. Very inexpensive shipping costs have shifted manufacturing of large home appliances offshore.
- Millions of high-paid manufacturing jobs in the US have moved offshore.
- Large companies publicly complain about taxes and regulations.
- Those same companies have learned that regulations prevent competition from nimble and innovative startups.
- Large manufacturing companies are less concerned about fixed fees which reduce their net income to a modest degree. Those fees make it too expensive for innovative startups to compete.
- Large companies are impacted when regulations and/or fees reduce global competitiveness.
- Large companies are greatly concerned about income tax. Income tax reduces net earnings and EPS, which in turn reduces their market cap. Large companies (i.e. Apple) take extraordinary measures to shift their profits to low-tax countries (i.e. Ireland).

[1] Top semiconductor manufacturers including Intel, AMD, National/TI, and Philips have all departed California. There are a few specialty semiconductor manufacturers on the periphery of Silicon Valley making low-volume products using equipment that was considered obsolete by Intel years ago.

