

production calling for a large, low-paid workforce which are no longer appropriate to this country. You cannot pretend that the future of France depends on the number of ships we sell at a loss or the volume of steel we make and cannot sell."

Perhaps. Yet the creation of those high-technology, high-paid jobs of the future depends on the creation of

new markets in the East bloc and developing economies, markets which can only be created through centrally directed state-to-state deals. President Valéry Giscard d'Estaing understands this but has allowed his domestic economic policy to be governed by short-term "pragmatic" considerations which could ultimately prove his undoing.

Future Growth Is Dependent On Rewards For Risk-Taking Venture Capital

Increased research and development is needed on a large scale if the United States is to continue its traditional industrial world leadership with adequate export sales and a high standard of living for its workers.

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Several built-in factors of the U.S. economy as it is today work against this. These factors need to be changed, so that the U.S. will again become a healthy forward moving economy. The needed changes are:

1. Reward venture capital risk takers by lowering the capital gains tax. The current high capital gains tax which makes no allowance for fictitious capital gains based on inflated prices has the effect of freezing people into what they have previously invested in. To sell the old investment is to be subject to a confiscation of capital. As a consequence, there is an inertia to investment change which results in much needed research and development not being financed.
2. Research and Development rarely is profitable in less than half a dozen years. This is especially so for advanced technology

As a consequence the U.S. Internal Revenue Service and Securities and Exchange Commission requirements for companies' expense in Research and Development costs mean that even the Research and Development that later becomes profitable does so after carry forward losses cannot be balanced against current profits. This does not bother the industrial giants which are able to reduce their current taxes by funding Research and Development from part of their other earnings. Most real research is done by small entrepreneurial companies. The industrial giants are

not strong in research but in development, production, and marketing.

Venture capital is now unwilling to finance the small Research and Development company, for it sees its capital being confiscated by current accounting and taxation processes. What happens is that the "start up" Research and Development company must usually pay all of its costs while the industrial giants pay only about half of their Research and Development costs. This needs to be changed.

3. Further, the industrial giants with a resident vice-president in Washington — who is an expert on bureaucratic paper work and is friendly with all the officials who process government research grants — get nearly all the government funded research. The industrial giants have less talent for the research than do the imaginative and dedicated entrepreneurs who rarely receive any consideration for grants. Yes, many college professors do, but they usually have an assured professional income, spare time and a university laboratory. The technological entrepreneur is usually short of money, time and much else. This too needs to be changed.

In summary, it is the Benjamin Franklins, the Thomas A. Edisons, the Nickolai Teslas and Edwin H. Lands who produce the new technologies, not the giant industrial companies. The U.S., by having a taxation and accounting system such as it now has, is retarding its own forward progress. As a consequence, U.S. workers are destined to have smaller real incomes and longer unemployment than would be true if these discouragements to venture capital investment in small advanced technological companies were changed. Why have the U.S. wilt on the vine? Let's change it.

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