By Timothy Condon

Prescription For Prosperity

"Mr. President! Mr. President!" The entreaty rings out among the surly snarls of the assembled press. The president pauses, turns his head, even while showing irritation at this typical display of boorish media aggression.

"Well, Mr. Condon, we've been trying to train you journalists in better manners since my first term." He pauses, displaying his famous aw-shucks half-grin, then continues: "But since you *do* speak for REASON, I guess we'll entertain your question."

"Mr. President," I answer, "meaning absolutely no disrespect to you or your office, I urge you, on behalf of everyone who believes in the future of capitalism, *ignore the deficit!* Continue with your tax-simplification program, but *cut taxes more!*"

A roar of disapproval rises from the assembled reporters. "Shut up, you idiot," snarls a *Washington Post* reporter. "Let's get the sonofabitch!" shouts a respected *New York Times* columnist. The Secret Service starts moving in, reaching for their pistols. Above it all comes the command from the president himself: "Let him alone. He's right."

And I wake up in a cold sweat, the sheets soaking wet. Did the president listen? *Would* he?

The two big political issues this year are cutting the budget and tax simplification. Both are intimately allied.

The struggle over setting the budget has come first. For the last two years that inane process, with a Congress to match, has extended right through to December with no resolution. For those who love the welfare state, this is fine: no budget resolution means, ultimately, a busted budget (that is, a budget with increased spending). True, Reagan is an even bigger social spender than Jimmy Carter was. But those seeking to scuttle Reagan's budget want to increase spending even more than he already has.

But there's something more important by far riding on the outcome of the budget battles: the fate of tax reform. I mean the prospect of *real* tax reform, not the vicious tax-raising slanders of the last 20 years. I mean a relatively *flat-rate* and relatively *simplified* tax system.

And I mean the prospect of further tax cuts.

If the budget is busted, the already-bloated deficit, projected at $190 billion plus and changing almost weekly, will further mushroom. The Democrats, seeking Republican blood, will wail incessantly about the ballooning deficit (which they more than anyone else have created). With such rhetoric, they'll "draft" the GOP traditionalist, non-supply-side conservatives into the increased-spending orgy. Weighted down with conventional, static economic assumptions, these traditionalists will turn against and scuttle any tax-simplification, "revenue-neutral" plans—not to mention any tax-*cut* plans lurking around—all in the name of "fiscal prudence."

Therein lies the real struggle, for budget-busting is also useful for blasting tax simplification and tax cuts out of the water. Why would someone want to do that? Because (1) tax cuts mean to welfare statists that government won't have the power (read "money") to do all those good things for us; and (2) tax simplification and further tax cuts could mean an explosively expanding American economy, thus benefiting...Republicans. (Don't take my word about such economic growth. Just look at the economy of Japan since 1945, *which for 23 out of 25 postwar years cut taxes.* Look at Singapore, Taiwan, Hong Kong.)

What about the deficit? everyone wants to know. At this point, the deficit must be put on the back burner. *It is smaller now as a percentage of US GNP than it was at the end of World War II, and it is smaller now as a percentage of GNP than Japan's has been for most of the postwar years.*

What will happen if Congress scuttles the Reagan budget and prevents tax simplification? America's economy will slow through the last half of 1985 and into 1986, perhaps even begin to contract. The Democrats can then call the result of their work "the Reagan recession" and run against it, picking up further strength in the House and possibly seizing control of the Senate once again. With a *solid* majority in the House and a working or real majority in the Senate, the Democrats can then block any economy-saving attempts—that is, further tax cuts and simplification—in the last half of the Reagan administration. Armed with the resulting economic shambles, which will be blamed on "the free market" and "disproven supply-side economics," the Democrats will then be in a position to mount a serious effort toward expanding the welfare state, implementing an "industrial policy," and on and on.

If the administration is to resist that tide of events, Reagan must ignore the deficits. And he can't be satisfied with just "simplifying" taxes with a milquetoast "revenue-neutral" bill. He's got to move decisively and cut taxes further this year. Those who think such a move would wreak havoc are prisoners of static assumptions. Workers and taxpayers do not stand still, and changes in tax complexity and marginal tax rates make them move faster than anything else. To understand the very basic truism that people react to different tax rates—and this is the theoretical foundation of all of supply-side economics—is to throw off the voodoo curse of static assumptions and unreasonable fear of deficits that can prevent this economy from taking right off.

If Reagan moves decisively now to simplify the entire tax system *and* to reduce marginal tax rates to a *flat-tax percentage even below* the currently proposed rates of 30 or 25 percent, American history will witness two momentous events. Economically, there will be a burst of growth, productivity, and entrepreneurship such as this country has never in its history seen. Politically, the American people will support in the 1986 elections and beyond candidates committed to furthering the incipient supply-side revolution.

The resulting explosive economic growth will pave the way, throughout the remainder of the 20th century and into a good stretch of the 21st, for the forces of capitalism and freedom.

Tim Condon is an attorney and tax specialist practicing in Florida.

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By Patrick Cox

Entrepreneurs' Entrepreneur

"Not too many years ago," Joseph Mancuso says, "the word *entrepreneur* did not enjoy the relatively positive connotations that it does today. The line between the con man and the entrepreneur was not very wide. Only 25 years ago, to be called an entrepreneur was to be called a hustler."

Mancuso is the founder and president of the Center for Entrepreneurial Management (CEM), the world's largest membership organization for entrepreneurs. So he's somewhat of an entı preneur himself. Founded in 1978 in Massachusetts, the organization is now based out of Mancuso's home in Manhattan. It provides numerous practical services for over 3,000 members, but the organization is also something of group therapy for entrepreneurs, still an unusual and often misunderstood fellowship.

Mancuso's motto is: "It's all right to be independent, but there's no reason to be alone." And it is through providing a sort of "information middleman," as Mancuso puts it, that CEM offers one of its most valuable services—helping bridge the gap between the infant, start-up company and the viable small business. It is here that many entrepreneurs flounder, for lack of management skills. Mancuso's organization puts them in touch with others who have made the passage safely and helps them develop specific business plans, getting it all down on paper.

Entrepreneurs are not a particularly happy lot, Mancuso says, pointing out that many people who are very good at making money are not particularly good at spending or enjoying it. Almost by definition, they are gamblers who lose on occasion. Mancuso's own hero is William Crapo Durant, the man who started General Motors. Durant went broke three times in the course of his life, lost GM, bounced back, and bought it back before losing it again to die in poverty.

So what is Mancuso like? He is obviously an entrepreneur, since he perceived the need for an organization to serve that group and started CEM. But he is also an educator.

The center is really an outlet for his

Joseph R. Mancuso

didactic skills. Born in Connecticut, Mancuso started out as an electrical engineer. He went on to earn an M.B.A. from Harvard Business School, and finally took his doctorate in educational administration at Boston University. He has been a department chair at Worcester Polytechnic, an engineering school in Massachusetts.

In addition, Mancuso has written 15 books on management and associated business and entrepreneurial skills. He writes regular columns for *Success* magazine and *National Business and Employment* weekly and has contributed to *Playboy* and *Harvard Business Review.* He has produced audio and video tapes on management and gives countless lectures. Mancuso also edits CEM's monthly newsletter, *The Entrepreneurial Manager.*

Of course, all this data doesn't say much about the kind of person that Mancuso is. But that is in part due to the fact that, like other entrepreneurs, his hobby is his business. Even his wife, Karla, is his business partner. Together, they attend every local meeting of another organization that he founded two years ago from the cream of CEM's 3,000 members—the Chief Executive Officers Club, with 210 members. CEO local meetings are held in San Francisco, Los Angeles, Boston, New York, Houston, Dallas, and Chicago, eight times in each city annually. That means 56 meetings a year.

Mancuso himself is delighted that the public has begun to value the role of the entrepreneur in society, though not to the extent that he believes is deserved. Some academicians, particularly those associated with the monetarist and Austrian schools of economic thought, have for decades pointed out the vital function that entrepreneurs play in a healthy economy. They are, perhaps, most responsible for the intellectual appreciation of the risk-taking individualists who start the businesses that are later bureaucratized and become institutions. Entrepreneurs are finally being credited with the new jobs they create and the new products they deliver to consumers.

Nevertheless, risking it all at the altar of consumer taste and preference is not a particularly pleasant way to spend one's life. Between projects, or after an unsuccessful project, the entrepreneur is likely to be viewed as unemployed or, as Mancuso says, "a bum." Often cursed with the temperament of an artist, entrepreneurs do not fit into the strictly scheduled routine of corporate life.

Mancuso spends considerable time reassuring entrepreneurs "that they are good people, valuable people." He says that more and more, the public is beginning to believe that too.

"Every society somehow conjures up a hero," Mancuso says, "someone who slays the dragon, unties the Gordian knot, finds the holy grail, frees the beautiful damsel in distress. Every society has them, but heroes have to leave society to do it. They are not like those who stay behind.

"All I'm trying to do is provide the entrepreneur with a road map to the dragon, a little drinking water, a few candy bars—and a telephone number. If the entrepreneur finds and slays a dragon, we ask him to come back and talk to a few others who are getting ready to go on their own quest. Even entrepreneurs can forget where they came from."

Patrick Cox is a free-lance writer.