

How Running Your Business Might Change Under Proposed Regulations



Gene Marks

CPA, Columnist, and Host



Gentry Collins

CEO of the American Free Enterprise
Chamber of Commerce

Announcer:

Welcome to Paychex THRIVE, a Business Podcast, where you'll hear timely insights to help you navigate marketplace dynamics and propel your business forward. Here's your host, Gene Marks.

Gene Marks:

Hey, everybody and welcome back to another episode of THRIVE. My name is Gene Marks. Thank you so much for joining me. Today, I have Gentry Collins. Gentry is the CEO of the American Free Enterprise Chamber of Commerce. First of all, Gentry, thank you very much for joining me.

Gentry Collins:

Gene, thanks for having me.

Gene Marks:

Where are you speaking from? Washington?

Gentry Collins:

No, I'm in Des Moines, Iowa, which is our headquarters. Out here getting ready for a big snowstorm.

Gene Marks:

Yeah, that's really funny because I... Well, that's common in Iowa, I'm assuming. I thought for sure you would be, considering what you do, you would be in DC. I'm glad that you're in Iowa because that's really... Gentry, there's a lot of businesses between Washington and San Francisco. For some reason, people don't seem to realize.

Gentry Collins:

Amen. Amen. My family and I spent about a decade in Washington working in politics and public policy and moved back home to the Midwest after some years there, better for business, better to raise our kids and our family. Washington's a great place to visit, but it does not always understand the needs of American business very well. Being out here in the middle of the country was exactly where we wanted to be.

Gene Marks:

Yeah, it's so true. I do a lot of speaking myself to associations around the country, and they're made up of business owners that are from the world's most boring and unsexy industries, your members. Like I said, there's this bubble in Washington and the East Coast and on the West Coast and then there's the rest of the country that's working away. It takes a while for people to realize that it's a big country. Tell me a little bit about the American Free Enterprise Chamber of Commerce. What do you guys do?

Gentry Collins:

The American Free Enterprise Chamber of Commerce is committed to the idea that American free enterprise is the greatest force for human flourishing in all of recorded human history. The idea that free people and competitive markets are the best way to solve problems, to elevate humanity, to make our lives better is something that not only do we know historically is true, but we see now some threats on the horizon that we haven't faced in the past.

Gentry Collins:

That in many ways we are going backwards from a generational point of view in terms of how many next generation American consumers and voters and leaders are really committed to the principles of American free enterprise, really understand their value and the human experience and how much American free enterprise has meant not just here in the United States, but around the world. We in the last century more than doubled global human life expectancy. And not only did we lengthen a life expectancy, but the quality of life that people are living inside the years that we get is at all-time highs.

Gentry Collins:

Just a little bit of a historical exercise, you can go through about 5,000 years of recorded human history and find that the average, typical condition of life in most places, in most times for the typical human was deprivation, that we would lose people at age 30. All the way until 1900, life expectancy around the world was 30 years old. Certainly what any modern people would consider deprivation. Today, not only is life expectancy way up in the 70s, but we will lose more of our poorest, Gene, more of our poorest, not our middle class, not our wealthy. We'll lose more of our poor to diseases of excess than we will to diseases of deprivation.

Gentry Collins:

It never before happened in all of recorded history, and it is the yield of American free enterprise. It's the yield of trusting free people and competitive markets to solve problems. As we've watched those values and the understanding of that set of values deteriorate a little bit from a cultural and generational perspective, we decided it was time to do something about it and to build something here in the middle of the country instead of out in Washington, DC.

Gene Marks:

That is really awesome. I have 10 employees in my company. We have about 600 clients. The people that are listening to this are Paychex customers, hundreds of thousands of them. Why would a business want to become a member of the American Free Enterprise Chamber of Commerce?

Gentry Collins:

Well, a number of reasons. One starts with principled advocacy around what it takes to open another American century. What do we need to do from a policy perspective in order to make sure that American free enterprise is really healthy and thriving and that we pass it on to the next generation in better shape than we found it? I think you'll find in Washington, and we won't name names here today, but I think you'll find that there are a lot of associations and a lot of interest groups, a lot of lobbying organizations in Washington that will simply lobby for the highest bidder, whose principles in some ways are for sale.

Gentry Collins:

The first thing for us is that we've established a membership level of \$99 a year. We're not in the business of taking bigger checks from bigger companies and giving them a bigger voice in terms of where we ought to be on public policy. We've set our whole model up to lend itself to fidelity, to free enterprise principles, number one. Number two and outside of the advocacy space is access to the marketplace. We see businesses all over the country in increasing numbers that are losing access to the tools required to participate in an open economy. Maybe a good one for today, think about merchant payment processing, for example.

Gentry Collins:

Some of our largest merchant payment processors have begun platforming companies that are legally operating companies that aren't doing anything illegal or untoward, but that simply are in disfavored industries. We've seen that in the banking sector to a lesser extent, but to some extent we see it in other places like insurance products and others that are based on access to the marketplace for ideological reasons. And beyond ideology, I think, look, small businesses are the biggest business in America.

Gentry Collins:

One of the things we do is we help aggregate some of that demand so that our small business members can take advantage of the purchasing power of a bigger business without having to be a bigger business. Those are some of the reasons that we'd love to have people join.

Gene Marks:

Yeah, make sense. It makes sense. You mentioned credit cards and the financial services industry. The Credit Card Competition Act, which was introduced, it's a bipartisan bill introduced in the Senate by Senators Durbin and Marshall. I hope to be interviewing shortly one or both of them. Tell us a little bit about it and what your involvement is with the Credit Card Competition Act.

Gentry Collins:

Our involvement with the Credit Card Competition Act is that we oppose it, just to be upfront. The reason we oppose it is we think it, like many pieces of legislation in Washington, DC, is not accurately named. It is the federal government trying to take a bigger role in the way that private transactions happen, trying to determine or trying to mandate, not to determine, what credit card networks can and can't be used, how those networks are used, and therefore how they're priced.

Gentry Collins:

And not only is it antithetical to the ideas of American free enterprise, the idea that free people in competitive markets make better decisions about how to price your services, what services you should offer, what services people are going to buy, competitive markets make those decisions better than the government, we think in just about every case and certainly in this one. On top of that, we've got some history here. In 2010, there was a bill passed that did much the same and it didn't work. It didn't work. Not only did it add federal regulation, but it was not helpful to consumers.

Gentry Collins:

The Federal Reserve Bank of Richmond did a study after debit cards were regulated and found that 77% of retailers did not lower their prices when the price controls came into place. They pocketed the difference. It's not good for consumers. And additionally, it led to the benefits that had existed before to consumers being reduced. Free checking accounts, for example, I think are reduced by something like 35% in the country after that bill was passed. Now, Senator Durbin, who led that bill in 2010, wants to do it again with credit cards. We fundamentally believe not only is it not good for consumers, it's the wrong place to make decisions about products and services in America.

Gene Marks:

I mean, Senator Durbin and Marshall will tell you that their act is supposedly trying to dilute the power of the big credit card companies, MasterCard and Visa. They're saying that when those companies are out there, they have to have at least one alternate network that banks and credit unions are issuing to try and increase competition. Gentry, I mean, I hear from a lot of my clients that they can't stand the credit card fees. They think they're sometimes excessive.

Gene Marks:

There is a bit of a monopoly kind of environment among all of that. Speak to that. Why do you feel that this bill actually is a bad thing when it seems like the senators are taking steps to make things better not only for consumers, but for small businesses?

Gentry Collins:

Well, I would say that if intentions counted, that we would live in a much better world. I mean, Washington regulates all kinds of things. They come out and they tell us that, "Boy, if you oppose our bill, you must oppose our purposes." It's the greatest fallacy in American public life.

Gentry Collins:

If people believe that Washington, DC, that elected people in Washington and that unelected bureaucrats in Washington who run these things after we pass these bills, if people believe that that Washington, DC makes better decisions about what products and services we want, what products and services your business ought to have to offer, and how you can price products and services in your business, from your business, between your business and another, then they ought to support this bill.

Gentry Collins:

Our view is that Washington is not the best place to answer those questions. That free people and competitive markets are always the best place to make these kinds of decisions. Again, not only do we believe that from an ideological perspective, but you can go back and see what happened when we did the same thing to debit cards about a dozen years ago or so in 2010. Like a lot of well-intentioned projects from Washington DC, did not have the intended effects and had a whole number of deleterious effects in our economy that we ought to avoid.

Gene Marks:

Is there a scenario that you would support regulations or legislation? I mean, it seems like your organization is definitely behind free enterprise. Let the markets do their thing and keep the government out of it to the most extent possible. I know it's not like we don't want things to be lawless or whatever, but there's a limit to that, I'm sure. I'll give you an example. I didn't ask you this before we got started talking. If you're not comfortable talking about this, it's fine. But in California, they have this fast food legislation for the fast food industry. Are you familiar with that?

Gentry Collins:

Generally, yes. Yes.

Gene Marks:

Generally just to tell you what it is, is that the legislation goes into effect in 2023. I just wrote about this, so I'm up to speed on it. It forms a Fast Food Council, and it's made up of people from the government, people from the fast food industry, workers from the fast food industry, businesses in the fast food industry. Theoretically, that council makes the decisions on workers' safety and regulations, minimum wages. They've been given some parameters from the government. The theory is that that council will make its decisions and the legislature and the state will just rubber stamp the decisions.

Gene Marks:

In other words, they're offshooting the responsibility to the industry to figure out how they want to run their industry rather than the regulators get very much involved. I'm curious if that's the kind of thing that the American Free Enterprise Chamber of Commerce would support such a thing, or would you feel more like, you know what, there should be no regulation. I would let the market deal with it themselves. There shouldn't be any extra council like that, let alone any regulation from the state. Does that make sense?

Gentry Collins:

It does make sense. Look, I'll tell you, I want to be careful to be clear here that we're not anti-regulation in every case.

Gene Marks:

Understood.

Gentry Collins:

Certainly you want lines painted on the side of the road. I would say a number of things though. One, in the California case, I think it'd be hard-pressed to say that California businesses, and particularly new businesses, innovators, startups, find it particularly easy to start and grow and compete given the cost structure that you have in a place like California. In fact, you have people leaving California in droves. Why? I think it goes back to this idea that we govern with the best of intentions, but those intentions are misplaced. The question ought to be, how best do we solve problems that face us?

Gentry Collins:

Do we think that more government intervention in our lives is going to do it? My argument, Gene, would be that we've got stacks and stacks and stacks of regulations at the state level, particularly in a place like California, and at the federal level. Those stacks keep growing. And every time they grow, it's a small operator, it's an entrepreneur, it's a guy with a new idea and an Etsy site in his basement, it's a guy working in the gig economy who can't afford to comply. I don't think that improves the economy one little bit.

Gentry Collins:

We don't oppose the idea that we want better quality of life, or we want better conditions in the fast food industry, or we want to make sure that living wages are paid, but we believe fundamentally that the marketplace makes those decisions better and faster than the government makes for us.

Gene Marks:

Okay, that makes complete sense. On that line, there are some other regulatory things I'd love to get your take on. In 2023, the Department of Labor is going to be coming out with new rules for worker classifications, which is going to change the way businesses are classifying. The offset of that or the result of that is that a lot more independent contractors and freelancers are most likely going to have to be classified as employees for these companies.

Gene Marks:

By the way, this is at a time where there has been an explosion in freelancers and independent contractors all around. Clearly there's this whole tens of millions of people that want to be on their own and run their own businesses and do their own thing. Now you do have these rules coming from the Department of Labor that are the antithesis of that. Give me your thoughts on that. Good? Bad?

Gentry Collins:

Yeah, a whole number of thoughts. One, I would say this is Washington at its worst. I mean, these are regulations that have been long sought by major labor unions around the country, supported by the Biden administration. They've tried a number of times, including last Congress, I believe... Was it H.R.1? One of the low numbered bills, one of the very first bills. They tried to pass some of these very same provisions under different names.

Gene Marks:

The PRO Act, it was called.

Gentry Collins:

The PRO Act. Exactly, right. Yes, that's exactly what I'm referring to. It's long been a priority of labor unions, who, of course, pour a lot of money into the Biden campaign and his allies. The reality is that they couldn't get it through a Congress that was controlled by the president's own party, both Houses controlled by the president's own party. Couldn't get it through the Congress. I would say before we even get to the business ramifications of such a policy, I would say that this is a backdoor approach to do something that the will of the American people does not support, number one, on that basis alone and other stuff.

Gentry Collins:

But then you think about where we're at in terms of economic time. Gene, I think you may have been referring to what's happened in the COVID and post-COVID period and what work looks like and what the workforce looks like and what the future of work looks like. I'll say though, even before COVID, the future of work looked very much and certainly the future of entrepreneurship looked very much to be tied to, of course, what we know as the gig economy. The idea that you have to be an employee with all of the cost structure and all of the implications that brings along with it, I think, is a killer to the future of work in America.

Gentry Collins:

It's certainly a burden that America's small and mid-size businesses don't need today just in terms of the workforce tensions and issues that we've got. But I think even long-term, this is a really dangerous policy and it's one that you'll find the American Free Enterprise Chamber pushing back on aggressively.

Gene Marks:

All right, that's very interesting and not surprising. I do agree that there are a lot of issues around that policy. Just a couple more things I just want to get your thoughts on before I let you go. Minimum wage keeps coming back and forward and back and forward. Again, Congress, when they early in 2021 tried to increase minimum wage to \$15 an hour failed. It's really been left to the states. On this podcast, I interviewed Rand Paul about that and specifically about minimum wage.

Gene Marks:

He does not support a national minimum wage because his point of view is why should my constituents in Kentucky be paying the same minimum wage as somebody's constituents in California? It's a big country. I'm going to make the assumption that you are not a fan of national minimum wage.

Gentry Collins:

You got it.

Gene Marks:

Right. I'd like to hear thoughts from all different points of view. Why would you be against a national federal minimum wage?

Gentry Collins:

Number one, we live in a republic, and thank God we do. If we all look like California, we would have no small businesses left at all. This is a question of states rights, first of all. We see the free market working. We see people leaving a high tax, high regulation state. We see businesses leaving high tax, high regulation states and moving to places that are places where they feel there's a regulatory and cost and tax structure where they can grow their business and do so in a way that people can afford, that their employees can enjoy a better quality of life. Look, our form of government works. Let's let it work.

Gentry Collins:

I don't think we've got to solve every problem at the federal level. I would add though, and maybe a little more practical and one that I don't think we talk about as often. I think the people that get hurt by onerously high minimum wages, and particularly in parts of the country where those wages are not what the market would demand or require otherwise, the people that get hurt are people that are trying to begin working, young people, teenagers. We've got a big family. I've got two in college and two in high school. I'll tell you, working jobs that are just enough to get by not only are financially meaningful for young people entering the economy, but that experience of work is critical.

Gentry Collins:

There's all kinds of research about what leads to long-term happiness and contentedness in life. The answer, in short, as I'm sure you know, is earned success. When we deny young people the chance to work, I think we're setting them up for a lifetime of trouble. The flip side is when we have a robust, vibrant local economy that can afford to bring temporary and part-time workers in at entry level wages, entry level wages that the local market can bear, I think that's good for everybody. It's good for the business. It's good for the workers. It's good for young people entering the economy. It's good for people who need a starting opportunity and we shouldn't deny that.

Gene Marks:

One final question then I'll let you go, Gentry. I had a bunch of topics I wanted to cover with you, but immigration is high on mind. I do feel the next two years considering how split we are in Washington, which by the way is not such a bad thing at all, is... We're not going to see any major legislation I think will come out of this Congress, but immigration could be one thing where there is... I mean, there's certainly a lot of bipartisan support to do something. I know my clients and my community and our Paychex, our listeners, we're suffering significant labor shortages.

Gene Marks:

People are looking for entry level people. I'm curious, again, you're trying to balance without too much government involvement. Let the market do what it's got to do. But I'm curious what your thoughts are on immigration. Number one is, do you think there might be a chance for some type of bipartisan legislation in this Congress? Number two is, what would you like to see that you think would make the most sense for the economy?

Gentry Collins:

Boy, I hope and pray that there's a chance for bipartisan legislation. It needs to be bipartisan. And not just because the Congress is divided, but because the country is divided. We're not going to go anywhere good if one party or the other is either jamming something down our throats or standing in the way for the sport of standing in the way. I think we've seen plenty of that too. I don't know that I'm a real optimist about that, Gene. I wish I could tell you something else, but it's certainly my hope.

Gentry Collins:

Look, as I'm sure your listeners are well aware, the strength of America has always been a robust flow of immigrants from around the world that are looking for a place to breathe free and call home and have the kind of economic and social opportunity that you just have nowhere else in the world. I think it's the pride and joy of Americans. At the same time, the one thing that sets us apart, Gene, is the rule of law. You don't have to be born here. You don't have to be from a racial or ethnic background, but you do have to respect the rule of law. We're not governed by our betters. We're not governed by a king. We're governed by the rule of law.

Gentry Collins:

I think the concern about where we're at from an immigration perspective is that too much of it feels lawless today. Unfortunately, I think that's standing in the way of what could otherwise be good bipartisan consensus. I'll tell you, when you asked for my own opinion, I'll offer an idea for your listeners that may be a little bit novel. I haven't heard any policymakers talking about it yet, although we'll try to change that. Back to this idea that Washington is maybe the worst place to try to solve problems, I wonder what might happen if we gave our states, our governors and legislatures, more of a voice in terms of what level of legal immigration we need.

Gentry Collins:

Why don't we let states compete? Why don't we require the federal government to ask governors and legislatures in all 50 states and the territories every year, what do you need to replenish your economy? What do you need to replenish your workforce? How many? What kind of visas do you need? What if we looked at ways to require the federal government to be responsive to the needs of states on that? Open that marketplace up and let states compete for legal immigration in America. It's a novel idea. It maybe introduces some of the competitive markets component and get some of these decisions out of Washington, DC.

Gene Marks:

I like it. Gentry, I'm voting for you next time you run for president. Okay?

Gentry Collins:

Terrific. You and my wife, I got two votes.

Gene Marks:

Yeah, there we go. We'll get your kids involved too as well. Come on. They got to support their dad. Gentry Collins is the CEO of American Free Enterprise Chamber of Commerce, amfreechamber.com. Gentry, thank you. It's great to get your points of view on these things. I think that a lot of our listeners, they may agree, they may disagree, but it's really important to hear points of view like yours, because I think it's important for small businesses to take these into consideration. Thank you. I think your chamber, again, it's the American Free Enterprise Chamber of Commerce, is it's doing great work. Please keep it up.

Gentry Collins:

Gene, thanks for having me.

Gene Marks:

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Speaker 1:

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