FROM THE CHAIRMAN

The United States has been a remarkable job-creation machine over the past three decades. Even as layoffs at Fortune 500 companies got the headlines – four million jobs eliminated in 30 years – small- and medium-size businesses were quietly growing to the tune of 62 million new jobs. That fact is important context for reading the article on page 24 by the Milken Institute's Ross DeVol about the labor-market effects of September 11. Obviously, the terrorist attacks were a shock to our nation on every level, including the economy. But I believe the long-term job-creation trend is intact.

Over the years, we've suffered other shocks that affected confidence, spending and the financial markets. The 1973 oil embargo, for example, was followed by credit controls and cutbacks in lending that denied capital to the small- and medium-size businesses that employ most of our workers. In the following year, interest rates rose sharply, the economy contracted and equity prices fell by almost half. Fortunately, the response to the terrorist shock has been more enlightened: increased liquidity and lower short-term interest rates. These stimuli, combined with previously enacted tax cuts and relatively stable energy prices, can help cushion the impact on jobs.

As confidence continues to grow, tourism and business travel will eventually return to normal. I believe that economic historians will see the response to the shocks we've suffered as an affirmation of the American economy's durability and dynamism. It's an economy that increasingly draws strength from human capital. As noted in the article about "The New Economics of Place" (page 88), the knowledge, skills and experience of talented individuals have far greater value than mere financial assets.

But if skilled workers were all it took to create a dynamic economy, then Japan would not have stagnated for the past decade and Europe would have mirrored the U.S. job-creation miracle. What has set America apart is the way it has democratized capital. Faced with a major credit crunch in the 1970s, large financial institutions focused on their own survival, turning their backs on small growing businesses that needed capital to create jobs. In response, the markets created innovative new financial technologies – securitized debt, mortgage and credit-card obligations, and a variety of equity-based derivatives – that provided growth capital and launched a tsunami of job creation. This access to capital is a key reason the U.S. has outpaced Europe five to one in net new jobs over the past generation.

Mourn as we do for the human toll of September 11, we need not mourn for the U.S. economy or its ability to create jobs. Entrepreneurs who needed capital used to face the question, "Whom do you know?" Today's markets ask, "What can you do?" That fundamental change provides a strong basis for optimism about the economy and job growth.

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