EDITORIAL

BILL CLINTON, THE FEDS, AND MUSIC

After 100 days in office, what does the new Clinton administration harbor for the music industry? We put that question to several hundred school music dealers and got uniformly ambivalent responses, most of which could be summarized as "We like the idea that the new President is an enthusiastic musician and that he supports music in the public schools, but we have concerns about the economic effects of higher taxes and the costs associated with his pending health care reform." The industry's assessment of the new President begins on page 74 of this issue.

Discussions of Clinton and the music industry inevitably lead to the larger question of the relationship between government and private industry. Obviously, the private sector is dependent on Federal, state, and local governments to provide a sound currency, a legal system for redressing grievances, regulations for the public good, and general social order. Unfortunately, when our governments focus on issues specific to certain industries, they have a greater capacity to do damage than to do good.

Consider the case of the music industry. Secretary of Education Richard Riley's recent pronouncement on the importance of music education is certainly deserving of the industry's support. Given the weight of research that underscores the broad academic benefits of arts education, it is refreshing to finally see it acknowledged at the Federal level. But since public schools are, without exception, funded and managed by local governments, Riley's pronouncement is basically little more than a friendly suggestion: It provides no legal mandate, no funding, and no call to immediate action. At best, it will provide local communities with ammunition for arguing on behalf of funding for music and the arts, which, while not insignificant, is not sufficient to have a dramatic effect on education or the music industry.

By contrast, consider some of the actions, currently being considered by the government, that could have a far more immediate effect on the condition of the music industry, and every other industry for that matter. While the matter of health care reform has been conducted in secret, current reports indicate that the probable means of financing universal health insurance will be a flat 7% payroll tax. For the local school music retailer, a 7% payroll tax would make it that much more costly to keep salespeople on the road calling on schools. On an industry-wide basis, we think it's safe to predict that a payroll tax would result in fewer people serving the market, which would unquestionably have an adverse effect.

At present, a single person earning $25,000, or a married couple earning $40,000, faces a 50% marginal tax rate: a 28% federal income levy, a 15% employer-employee Social Security tax, and a state income tax that averages 7%. If the marginal rate is bumped up to 57% with the new health levy, how enthusiastic will local electorates be when it comes to voting for increased school budgets to fund arts programs? How eager will they be to walk into a music store, or any other retailer dealing in non-essential goods, and make a purchase?

Our immediate sense is that the negative impact of additional taxes on an already heavily taxed electorate will, unfortunately, overwhelm whatever positive comes out of the Secretary of Education's support of music in the schools. In the words of Curtis Pearson of Pearson Music, North Carolina, whose remarks appear elsewhere in this issue, "You can't create prosperity by killing the golden goose and then giving the golden eggs away."

It is hard to argue against something that has yet to be unveiled, but we would urge everyone to write their elected officials to request full disclosure on the pending health care reform and urge broad debate before any sweeping action is taken. As an industry comprised of small enterprises, this government action could have serious and far-reaching negative effects.

Brian T. Majeski
Editor