

REMARKS BY SENATOR HUBERT H. HUMPHREY
NATIONAL FEDERATION OF INDEPENDENT BUSINESS CONVENTION
Washington Hilton Hotel
Washington, D. C.
June 18, 1975

I am delighted to be with you this afternoon to participate in the closing session of your three-day Conference.

Since my early boyhood in South Dakota, when I worked in my father's drugstore, I have been aware of the great contribution which the small businessman has made to the economic growth of America.

Let me say, too, that I'm also well aware of the pitfalls which beset those brave and pioneering souls who strike out on their own to meet the challenge of establishing a new business enterprise.

During the coming months you will hear many people extol the virtues associated with our nation's 200th anniversary. This should serve as a time to recognize and pay tribute to the tremendous contribution made by the private entrepreneur to the accomplishments of this great nation.

The shrewd and ambitious pioneering American businessmen who took part in the birth of this nation were able in a remarkably short time to transform its energies and resources into the greatest wonder of the economic world. They had imagination, initiative and the willingness to take great risks in the hope of reaping great rewards.

We can see that same kind of pioneering spirit today when we look at the more than nine and one-half million independent businessmen who make up this country's business community.

The one thing today that is foremost in your minds is the state of the economy. I am concerned and I know you share that concern. It can mean survival or despair to millions of our business enterprises, and it can cost additional millions of jobs.

As Chairman of the Joint Economic Committee, I've spent the last six months presiding over hearings which paint a very dismal picture of the American economy. We are suffering a period of economic hardship more serious than anything our nation has been through since the Great Depression.

In the first quarter of 1975, the real value of the Gross National Product declined by 10 percent.

During the last 12 months, the number of people "officially" unemployed has nearly doubled so that 8.5 million Americans are out of work today. That is 9.2 percent of our population.

But that's not the worst news. Listen to these "official" unemployment figures:

--Unemployment among Black Americans now is 14.7 percent. And the Urban League, counting in "discouraged workers" who have given up looking for employment, puts the black jobless rate at 25.8 percent for the first quarter of this year.

--For teenagers, the "official" jobless rate is 21.8 percent, and for black teenagers it is 39.9 percent.

For some categories of Americans, and for some hard-pressed localities, the recession is a repeat performance of the Great Depression, which produced a peak annual jobless rate of 24.9 percent in 1933.

The unemployment rate in France just went over 4.0 percent. So the French instituted a series of government actions to increase job opportunities for youth employment, took steps to increase industrial investment, modified their unemployment compensation program, and tempered national wage increases.

Last month our unemployment rate exceeded 9 percent--more than twice that of the French rate. So the President of the United States vetoed a \$5.3 billion Emergency Employment bill and the House of Representatives sustained that veto.

And, that legislation would also have provided nearly a half a billion dollars in emergency assistance to our small businesses. Now, that just doesn't make sense.

The President told you yesterday that the recession is over. Unfortunately, the economy does not respond to "Presidential Proclamation." Tell the millions without jobs, the small building contractor who is going broke, or the auto dealer whose sales still haven't picked up, that the recession is over; and all you do is push even lower the credibility of government.

Sure we want the recession to end. Yes, there are some signs of recovery. But, no, we are not there yet. Recovery, all the experts agree, is going to be a long, tough road. We only deceive ourselves by claiming things are better than we know they are.

The small business community is playing a far more important role in our economy today than many people think.

There has been a tendency to overlook the fact that the "small business" sector provides more than half the jobs in the U. S. private labor force, produces approximately 43 percent of the business product, and one-third of the entire Gross National Product.

As importantly, small businesses consistently account for more than half of the major inventions and innovations that provide the gains in productivity that make an ever higher standard of living for our people a possibility.

And, they provide outlets for energy, talent and a wealth of concerned community leadership in cities and towns across the country.

Today, more than ever before, the small businessmen of this country need help. They face serious problems which must be dealt with on an urgent basis.

First, sources of venture capital for starting new businesses are drying up because investors are turning to safer investments which bring in a higher, surer rate of return.

The effect of this tight money situation will be fewer new business formations, fewer new products, less personal services to consumers, and a reduction in the strength and resilience of the free enterprise system.

Second, the availability of private funds for existing small firms has fallen off. As a result of this, small firms have vastly increased their interest in the direct loan program of the Small Business Administration. Not only have various SBA offices throughout the country been deluged with requests for such loans, but Congressional offices on Capitol Hill have received numerous appeals for information concerning this SBA activity.

Unfortunately, SBA funds for direct loans have been sharply curtailed. President Ford, when signing the SBA Direct Loan bill last year, stated that he considered the increase in direct loan funds excessive. He also indicated that he did not intend to request additional appropriations to carry out that part of the legislation.

As a result, it was with great concern that I noted the President's veto of the Emergency Employment Appropriations bill, which contained provisions for expanding the direct loan fund program of the Small Business Administration to \$210 million.

The need for such an expansion in the availability of direct SBA loans is crucial. I hope that the Congress will take legislative action to increase funding for the SBA direct loan program.

Another major problem facing small business is taxation.

On March 29, 1975, Public Law 94-12, the Tax Reduction Act of 1975, was signed into law. This measure provides tax reductions for individuals and families on 1975 incomes. In addition, cash rebates on 1974 income taxes up to a maximum of \$200 are provided for in the law. These provisions grant relief to the non-incorporated small businessman.

Small corporations also are given a tax break. Under present law, corporations pay a rate of 22 percent on profits up to \$25,000 a year and 48 percent above that level.

Among the major provisions of the new law is a lower rate schedule on 1975 income of small corporations. Earnings up to \$25,000 are to be taxed at 20 percent. Profits between \$25,000 and \$50,000 now are subject to a 22 percent rate. Earnings above \$50,000 still will be taxed at 48 percent.

This law also provides tax incentives for business outlays on expansion and modernization. The direct tax credit for investment in business equipment and machinery is increased to 10 percent for expenditures in 1975 and 1976.

As the Chairman of the Joint Economic Committee, I testified before the Senate Finance Committee and urged adoption of these essential tax reductions for small businesses.

Nevertheless, this is only temporary tax relief. You and I are well aware that the crucial need today is a comprehensive restructuring of tax law as it relates to the small businessman.

In 1971 and again in 1973, the Bible-Evins Small Business Tax bills were introduced into the Congress for the purpose of small business tax reform and simplification. Unfortunately, this measure was not enacted into law.

However, several bills have been introduced in the 94th Congress which would amend the Internal Revenue Code to revise and consolidate the provisions of the Code with respect to small business. These bills also would require the Secretary of the Treasury to submit to the Senate Committee on Finance and the House Committee on Ways and Means recommendations for structural changes in the Code relating primarily to small business.

Yet another major problem for small firms is the Federal paperwork burden.

More than three years ago, Senator Thomas McIntyre of New Hampshire chaired a subcommittee on Government Regulation of the Select Committee on Small Business. In opening a Chicago session of the Subcommittee, the Senator explained the reasons for holding hearings.

He said that in sheer dollars and cents terms, we are paying out billions of dollars in unnecessary taxes and in higher prices on consumer products because of what he called "Federal Form Pollution."

By one estimate, it's costing about \$18 billion a year at all levels of Government to print, shuffle, and store all of these forms. It also is costing small businessmen about \$18 billion to fill out the different forms--Internal Revenue forms, wage and price forms, social security forms, quarterly this, and monthly that. And the cost of the small businessman must necessarily be passed on to the consumer.

Additionally, we now have the Occupational Safety and Health Law to deal with, and possibly a general health insurance plan in the future.

The dimensions of the paperwork burden for small enterprise are clear. Moreover, since most small businesses cannot afford to use computer-based accounting systems and expensive accounting machines, the burden of paperwork not only is costly, but it is time consuming as well.

As you know, the problems confronted by minority businesses in our country always have been of special concern to me.

The vast majority of black business firms in this country are small, marginal operations, vulnerable types of enterprises in low income neighborhoods. As a result, they feel the full brunt of an economic recession.

In 1972 there were 195,000 black-owned businesses in the United States. They comprised less than two percent of the total concerns. Of the black-owned businesses, 94 percent were single proprietorships, and two-thirds were concentrated in retail services such as grocery stores, dry cleaners and barber shops.

During a period of recession for most Americans, minority citizens and businesses suffer a depression.

While no one can measure exactly how much recession is hurting minority small businesses, there are some indicators.

A recent survey completed by the "Black Economic Research Center" concluded that minority businesses failed last year at a rate of about 18 percent. Undoubtedly, the Black business failure rate this year will be even worse.

As with most small businesses, tight credit, high interest rates, high unemployment and declining real incomes translate into lower sales, less capital, and much lower profits.

As you all know, high interest rates intensify the normal reluctance of most banks to extend credit at anywhere near reasonable rates to small businesses. If those businesses are black without proven records, little money is available to keep them going during tight periods like these.

Of course, the failure of banks to be forthcoming with this capital sharply curtails the impact of the Small Business loan guarantee program on minority enterprises.

We can afford to do much more to stimulate small businesses in this country, to promote the creation of new firms, to gain from the productivity that comes from individual initiative in one's own enterprise, and at the same time to open up our small enterprise system to the full participation of every segment of the American citizenry.

All Americans have the right, and we in government and business the obligation, to see to it that the fruits of individual initiative and hard work are available to all those in our society who are willing to make the effort.

We can and we must do more to help minority enterprises start up, continue in operation, and survive during their infancy.

In an attempt to address some of these issues, Senator Gaylord Nelson, Chairman of the Senate Select Committee on Small Business, and I, as Chairman of the Joint Economic Committee, will hold a series of oversight hearings. These hearings will focus on some of those issues I just mentioned, as well as examining the Small Business Administration and its programs.

As these hearings get underway, I would encourage all of you to take an active interest in them. And, of course, you and your representatives are encouraged to take part in these proceedings.

During the past two years of economic chaos in our nation, many of the problems confronting our small and independent business people have surged to the surface.

The productivity-sapping effect of excessive government bureaucracy and red tape is abundantly clear to everyone who knows the first thing about American business.

The inflationary impact of in many cases inane and archaic government regulations of business activities is obvious.

The grave difficulty encountered by our small businesses in attempting to grow and raise the capital that such growth requires is ever more apparent.

The severe problems in gaining access to supplies of materials required for production in the face of resource scarcity becomes a growing concern.

The ever declining level of assistance to small business, in general, and to our minority small business enterprises, in particular, takes its certain toll.

These are just a few of the many serious problems resulting from excessively high rates of inflation, energy scarcity, and deep recession.

The unprecedented economic conditions--the stagflation of the last several years--requires that government make a comprehensive reassessment of the state of small business in America today.

Next week, I will introduce with Senators Tower, Nelson and Javits, legislation to create a National Commission on Small Business in America. We have been working together closely on this proposal and all of us believe that it will take the single minded attention of such a national commission to seriously study the problems confronting the small business community and to come up with the practical recommendations that will assure the continued prosperity of this vital sector to serve generations of Americans to come.

As a small businessman myself, I have a continuing interest in improving the climate in which we exist. I pledge to all of you my help in meeting the many demands placed upon you.

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REMARKS BY SENATOR HUBERT H. HUMPHREY
NATIONAL FEDERATION OF INDEPENDENT BUSINESS CONVENTION

WASHINGTON HILTON HOTEL

WASHINGTON, D. C.

JUNE 18, 1975

I AM DELIGHTED TO BE WITH YOU THIS AFTERNOON ✓
TO PARTICIPATE IN THE CLOSING SESSION OF YOUR
THREE-DAY CONFERENCE.

SINCE MY EARLY BOYHOOD IN SOUTH DAKOTA, WHEN I
WORKED IN MY FATHER'S DRUGSTORE, I HAVE BEEN AWARE
OF THE GREAT CONTRIBUTION WHICH THE SMALL BUSINESS-
MAN HAS MADE TO THE ECONOMIC GROWTH OF AMERICA.

LET ME SAY, TOO, THAT I'M ALSO WELL AWARE OF THE
PITFALLS WHICH BESET THOSE BRAVE AND PIONEERING SOULS
WHO STRIKE OUT ON THEIR OWN TO MEET THE CHALLENGE
OF ESTABLISHING A NEW BUSINESS ENTERPRISE.

DURING THE COMING MONTHS YOU WILL HEAR MANY ✓
PEOPLE EXTOL THE VIRTUES ASSOCIATED WITH OUR
NATION'S 200TH ANNIVERSARY. THIS SHOULD SERVE
AS A TIME TO RECOGNIZE AND PAY TRIBUTE TO THE
TREMENDOUS CONTRIBUTION MADE BY THE PRIVATE ✓
ENTREPRENEUR TO THE ACCOMPLISHMENTS OF THIS GREAT
NATION.

THE SHREWD AND AMBITIOUS PIONEERING AMERICAN ✓
BUSINESSMEN WHO TOOK PART IN THE BIRTH OF THIS
NATION WERE ABLE IN A REMARKABLY SHORT TIME TO
TRANSFORM ITS ENERGIES AND RESOURCES INTO THE
GREATEST WONDER OF THE ECONOMIC WORLD. THEY
HAD IMAGINATION, INITIATIVE AND THE WILLINGNESS
TO TAKE GREAT RISKS IN THE HOPE OF REAPING GREAT
REWARDS.

WE CAN SEE THAT SAME KIND OF PIONEERING
SPIRIT TODAY WHEN WE LOOK AT THE MORE THAN NINE
AND ONE-HALF MILLION INDEPENDENT BUSINESSMEN
WHO MAKE UP THIS COUNTRY'S BUSINESS COMMUNITY.

Economy
L THE ONE THING TODAY THAT IS FOREMOST IN YOUR
MINDS IS THE STATE OF THE ECONOMY. I AM CONCERNED
AND I KNOW YOU SHARE THAT CONCERN. IT CAN MEAN
SURVIVAL OR DESPAIR TO MILLIONS OF OUR BUSINESS
ENTERPRISES, AND IT CAN COST ADDITIONAL MILLIONS
OF JOBS.

AS CHAIRMAN OF THE JOINT ECONOMIC COMMITTEE, ✓

I'VE SPENT THE LAST SIX MONTHS PRESIDING OVER
HEARINGS WHICH PAINT A VERY DISMAL PICTURE OF THE
AMERICAN ECONOMY. WE ARE SUFFERING A PERIOD OF
ECONOMIC HARDSHIP MORE SERIOUS THAN ANYTHING OUR
NATION HAS BEEN THROUGH SINCE THE GREAT DEPRESSION.

✓
L IN THE FIRST QUARTER OF 1975, THE REAL VALUE ✓
OF THE GROSS NATIONAL PRODUCT DECLINED BY 10
PERCENT.

✓
L DURING THE LAST 12 MONTHS, THE NUMBER OF ✓
PEOPLE "OFFICIALLY" UNEMPLOYED HAS NEARLY DOUBLED
SO THAT 8.5 MILLION AMERICANS ARE OUT OF WORK
TODAY. THAT IS 9.2 PERCENT OF OUR POPULATION.

BUT THAT'S NOT THE WORST NEWS. LISTEN TO ✓

THESE "OFFICIAL" UNEMPLOYMENT FIGURES: ✓

--UNEMPLOYMENT AMONG BLACK AMERICANS NOW IS

14.7 PERCENT. *But* ~~AND~~ THE URBAN LEAGUE, COUNTING IN

"DISCOURAGED WORKERS" WHO HAVE GIVEN UP LOOKING

FOR EMPLOYMENT, PUTS THE BLACK JOBLESS RATE AT

25.8 PERCENT FOR THE FIRST QUARTER OF THIS YEAR.

--FOR TEENAGERS, THE "OFFICIAL" JOBLESS ✓

RATE IS 21.8 PERCENT, AND FOR BLACK TEENAGERS IT

IS 39.9 PERCENT.

FOR SOME CATEGORIES OF AMERICANS, AND FOR
SOME HARD-PRESSED LOCALITIES, THE RECESSION IS A
REPEAT PERFORMANCE OF THE GREAT DEPRESSION
~~WHICH PRODUCED A PEAK ANNUAL JOBLESS RATE OF 24.9~~
~~PERCENT IN 1933.~~

THE UNEMPLOYMENT RATE IN FRANCE JUST WENT
OVER 4.0 PERCENT. SO THE FRENCH INSTITUTED A SERIES
OF GOVERNMENT ACTIONS TO INCREASE JOB OPPORTUNITIES
FOR YOUTH EMPLOYMENT, TOOK STEPS TO INCREASE
INDUSTRIAL INVESTMENT, MODIFIED THEIR UNEMPLOYMENT
COMPENSATION PROGRAM, AND TEMPERED NATIONAL
WAGE INCREASES.

LAST MONTH OUR UNEMPLOYMENT RATE EXCEEDED 9
PERCENT--MORE THAN TWICE THAT OF THE FRENCH RATE.

SO THE PRESIDENT OF THE UNITED STATES VETOED A
\$5.3 BILLION EMERGENCY EMPLOYMENT BILL AND THE
HOUSE OF REPRESENTATIVES SUSTAINED THAT VETO.

AND, THAT LEGISLATION WOULD ALSO HAVE
PROVIDED NEARLY A HALF A BILLION DOLLARS IN
EMERGENCY ASSISTANCE TO OUR SMALL BUSINESSES.

Now, THAT JUST DOESN'T MAKE SENSE.

~~President~~

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✓
THE PRESIDENT TOLD YOU YESTERDAY THAT THE

RECESSION IS OVER. ^{in this instance} UNFORTUNATELY, THE ECONOMY

DOES NOT RESPOND TO "PRESIDENTIAL PROCLAMATION."

TELL THE MILLIONS WITHOUT JOBS, THE SMALL
BUILDING CONTRACTOR WHO IS GOING BROKE, OR THE
AUTO DEALER WHOSE SALES STILL HAVEN'T PICKED UP,
THAT THE RECESSION IS OVER; AND ALL YOU DO IS
PUSH EVEN LOWER THE CREDIBILITY OF GOVERNMENT.

~~SURE WE WANT THE RECESSION TO END.~~ ✓ YES,

THERE ARE SOME SIGNS OF RECOVERY. BUT, ~~AND~~, WE ARE

NOT THERE YET. RECOVERY, ALL THE EXPERTS AGREE,

IS GOING TO BE A LONG, TOUGH ROAD. ~~WE ONLY~~

~~DECEIVE OURSELVES BY CLAIMING THINGS ARE BETTER~~

~~THAN WE KNOW THEY ARE.~~

Small Business

✓
THE SMALL BUSINESS COMMUNITY IS PLAYING A

FAR MORE IMPORTANT ROLE IN OUR ECONOMY TODAY THAN

MANY PEOPLE THINK.

✓
THERE HAS BEEN A TENDENCY TO OVERLOOK THE

FACT THAT THE "SMALL BUSINESS" SECTOR PROVIDES

MORE THAN HALF THE JOBS IN THE U. S. PRIVATE
LABOR FORCE, PRODUCES APPROXIMATELY 43 PERCENT OF

THE BUSINESS PRODUCT, AND ONE-THIRD OF THE ENTIRE

GROSS NATIONAL PRODUCT.

AS IMPORTANTLY, ^{and Independent} SMALL BUSINESSES CONSISTENTLY ✓

ACCOUNT FOR MORE THAN HALF OF THE MAJOR INVENTIONS
→

AND INNOVATIONS THAT PROVIDE THE GAINS IN
—

PRODUCTIVITY THAT MAKE AN EVER HIGHER STANDARD OF
—

LIVING FOR OUR PEOPLE A POSSIBILITY,
—

—
[AND, THEY PROVIDE OUTLETS FOR ENERGY, TALENT ✓

AND A WEALTH OF CONCERNED COMMUNITY LEADERSHIP
—

IN CITIES AND TOWNS ACROSS THE COUNTRY.
—

TODAY, MORE THAN EVER BEFORE, THE SMALL ✓

BUSINESSMEN OF THIS COUNTRY NEED HELP. THEY

FACE SERIOUS PROBLEMS WHICH MUST BE DEALT WITH ON

AN URGENT BASIS.

FIRST, SOURCES OF VENTURE CAPITAL FOR STARTING
NEW BUSINESSES ARE DRYING UP BECAUSE INVESTORS
ARE TURNING TO SAFER INVESTMENTS WHICH BRING IN
A HIGHER, SURER RATE OF RETURN.

THE EFFECT OF THIS TIGHT MONEY SITUATION WILL ✓
BE FEWER NEW BUSINESS FORMATIONS, FEWER NEW PRODUCTS,
LESS PERSONAL SERVICES TO CONSUMERS, AND A REDUCTION
IN THE STRENGTH AND RESILIENCE OF THE FREE ENTER-
PRISE SYSTEM.

L SECOND, THE AVAILABILITY OF PRIVATE FUNDS FOR ✓
EXISTING SMALL FIRMS HAS FALLEN OFF. AS A RESULT,
~~THEY~~, SMALL FIRMS HAVE VASTLY INCREASED THEIR
INTEREST IN THE DIRECT LOAN PROGRAM OF THE SMALL
BUSINESS ADMINISTRATION. NOT ONLY HAVE VARIOUS SBA
OFFICES THROUGHOUT THE COUNTRY BEEN DELUGED WITH
REQUESTS FOR SUCH LOANS, BUT CONGRESSIONAL OFFICES
ON CAPITOL HILL HAVE RECEIVED NUMEROUS APPEALS FOR
INFORMATION CONCERNING THIS SBA ACTIVITY.

UNFORTUNATELY, SBA FUNDS FOR DIRECT LOANS HAVE BEEN SHARPLY CURTAILED. PRESIDENT FORD, WHEN SIGNING THE SBA DIRECT LOAN BILL LAST YEAR, STATED THAT HE CONSIDERED THE INCREASE IN DIRECT LOAN FUNDS EXCESSIVE. HE ALSO INDICATED THAT HE DID NOT INTEND TO REQUEST ADDITIONAL APPROPRIATIONS TO CARRY OUT THAT PART OF THE LEGISLATION.

AS A RESULT, IT WAS WITH GREAT CONCERN THAT I NOTED THE PRESIDENT'S VETO OF THE EMERGENCY EMPLOYMENT APPROPRIATIONS BILL, WHICH CONTAINED PROVISIONS FOR EXPANDING THE DIRECT LOAN FUND PROGRAM OF THE SMALL BUSINESS ADMINISTRATION TO \$210 MILLIONS.

THE NEED FOR SUCH AN EXPANSION IN THE AVAIL-
ABILITY OF DIRECT SBA LOANS IS CRUCIAL. I HOPE
THAT THE CONGRESS WILL TAKE LEGISLATIVE ACTION TO
INCREASE FUNDING FOR THE SBA DIRECT LOAN PROGRAM.

Notes
ANOTHER MAJOR PROBLEM FACING SMALL BUSINESS

IS TAXATION.

ON MARCH 29, 1975, PUBLIC LAW 94-12, THE
TAX REDUCTION ACT OF 1975, WAS SIGNED INTO LAW.
THIS MEASURE PROVIDES TAX REDUCTIONS FOR INDIVIDUALS
AND FAMILIES ON 1975 INCOMES. IN ADDITION, CASH
REBATES ON 1974 INCOME TAXES UP TO A MAXIMUM OF
\$200 ARE PROVIDED FOR IN THE LAW. THESE PROVISIONS
GRANT RELIEF TO THE NON-INCORPORATED SMALL
BUSINESSMAN.

L SMALL CORPORATIONS ALSO ARE GIVEN A TAX BREAK.
UNDER PRESENT LAW, CORPORATIONS PAY A RATE OF 22
PERCENT ON PROFITS UP TO \$25,000 A YEAR AND 48
PERCENT ABOVE THAT LEVEL.

AMONG THE MAJOR PROVISIONS OF THE NEW LAW IS

A LOWER RATE SCHEDULE ON 1975 INCOME OF SMALL

CORPORATIONS. EARNINGS UP TO \$25,000 ARE TO BE TAXED

AT 20 PERCENT. PROFITS BETWEEN \$25,000 AND \$50,000

NOW ARE SUBJECT TO A 22 PERCENT RATE. EARNINGS

ABOVE \$50,000 STILL WILL BE TAXED AT 48 PERCENT.

THIS LAW ALSO PROVIDES TAX INCENTIVES FOR

BUSINESS OUTLAYS ON EXPANSION AND MODERNIZATION.

THE DIRECT TAX CREDIT FOR INVESTMENT IN BUSINESS

EQUIPMENT AND MACHINERY IS INCREASED TO 10 PERCENT

FOR EXPENDITURES IN 1975 AND 1976. (Permanent)

AS THE CHAIRMAN OF THE JOINT ECONOMIC
COMMITTEE, I TESTIFIED BEFORE THE SENATE FINANCE
COMMITTEE AND URGED ADOPTION OF THESE ESSENTIAL
TAX REDUCTIONS FOR SMALL BUSINESSES.

~~NEVERTHELESS, THIS IS ONLY~~



on
TEMPORARY TAX RELIEF. YOU AND I ARE WELL AWARE THAT
THE CRUCIAL NEED TODAY IS A COMPREHENSIVE RESTRUCTURING
OF TAX LAW AS IT RELATES TO THE SMALL BUSINESSMAN.

IN 1971 AND AGAIN IN 1973, THE BIRLE-EVINS
SMALL BUSINESS TAX BILLS WERE INTRODUCED INTO THE
CONGRESS FOR THE PURPOSE OF SMALL BUSINESS TAX
REFORM AND SIMPLIFICATION. UNFORTUNATELY, THIS
MEASURE WAS NOT ENACTED INTO LAW.

~~HOWEVER~~, SEVERAL BILLS HAVE BEEN INTRODUCED IN
THE 94TH CONGRESS WHICH WOULD AMEND THE INTERNAL
REVENUE CODE TO REVISE AND CONSOLIDATE THE PROVI-
SIONS OF THE CODE WITH RESPECT TO SMALL BUSINESS,

THESE BILLS ALSO WOULD REQUIRE THE SECRETARY OF
THE TREASURY TO SUBMIT TO THE SENATE COMMITTEE ON
FINANCE AND THE HOUSE COMMITTEE ON WAYS AND MEANS
RECOMMENDATIONS FOR STRUCTURAL CHANGES IN THE CODE
RELATING PRIMARILY TO SMALL BUSINESS.

Federal Paperwork

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YET ANOTHER MAJOR PROBLEM FOR SMALL FIRMS ✓

IS THE FEDERAL PAPERWORK BURDEN.

MORE THAN THREE YEARS AGO, SENATOR THOMAS
McINTYRE OF NEW HAMPSHIRE CHAIRED A SUBCOMMITTEE
ON GOVERNMENT REGULATION OF THE SELECT COMMITTEE
ON SMALL BUSINESS. IN OPENING A CHICAGO SESSION
OF THE SUBCOMMITTEE, THE SENATOR EXPLAINED THE
REASONS FOR HOLDING HEARINGS.

HE SAID THAT IN SHEER DOLLARS AND CENTS TERMS,

WE ARE PAYING OUT BILLIONS OF DOLLARS IN UNNECESSARY ✓

TAXES AND IN HIGHER PRICES ON CONSUMER PRODUCTS

BECAUSE OF WHAT *I call* ~~HE CALLED~~ "FEDERAL FORM POLLUTION."

L BY ONE ESTIMATE, IT'S COSTING ABOUT \$18 BILLION ✓

A YEAR AT ALL LEVELS OF GOVERNMENT TO PRINT, SHUFFLE,

AND STORE ALL OF THESE FORMS. L IT ALSO IS COSTING

SMALL BUSINESSMEN ABOUT \$18 BILLION TO FILL OUT

THE DIFFERENT FORMS--INTERNAL REVENUE FORMS, WAGE

AND PRICE FORMS, SOCIAL SECURITY FORMS, QUARTERLY

THIS, AND MONTHLY THAT. L

these costs ✓
~~AND THE COST OF THE COSTS~~

~~BUT~~ MUST NECESSARILY BE PASSED ON TO THE

CONSUMER.

L ADDITIONALLY, WE NOW HAVE THE OCCUPATIONAL

SAFETY AND HEALTH LAW TO DEAL WITH, AND POSSIBLY

A GENERAL HEALTH INSURANCE PLAN IN THE FUTURE.

THE DIMENSIONS OF THE PAPERWORK BURDEN FOR
SMALL ENTERPRISE ARE CLEAR. MOREOVER, SINCE *many*
SMALL BUSINESSES CANNOT AFFORD TO USE COMPUTER-BASED
ACCOUNTING SYSTEMS AND EXPENSIVE ACCOUNTING
MACHINES, THE BURDEN OF PAPERWORK NOT ONLY IS COSTLY,
BUT IT IS TIME CONSUMING AS WELL.

AS YOU KNOW, THE PROBLEMS CONFRONTED BY
MINORITY BUSINESSES IN OUR COUNTRY ALWAYS HAVE BEEN
OF SPECIAL CONCERN TO ME.

Minority Enterprise

THE VAST MAJORITY OF BLACK BUSINESS FIRMS IN THIS COUNTRY ARE SMALL, MARGINAL OPERATIONS, VULNERABLE TYPES OF ENTERPRISES IN LOW INCOME NEIGHBORHOODS. AS A RESULT, THEY FEEL THE FULL BRUNT OF AN ECONOMIC RECESSION.

IN 1972 THERE WERE 195,000 BLACK-OWNED BUSINESSES IN THE UNITED STATES. THEY COMPRISED LESS THAN TWO PERCENT OF THE TOTAL CONCERNS. OF THE BLACK-OWNED BUSINESSES, 94 PERCENT WERE SINGLE PROPRIETORSHIPS, AND TWO-THIRDS WERE CONCENTRATED IN RETAIL SERVICES SUCH AS GROCERY STORES, DRY CLEANERS AND BARBER SHOPS.

↳ DURING A PERIOD OF RECESSION FOR MOST
AMERICANS, MINORITY CITIZENS AND BUSINESSES SUFFER A
DEPRESSION.

↳ WHILE NO ONE CAN MEASURE EXACTLY HOW MUCH
RECESSION IS HURTING MINORITY SMALL BUSINESSES,
THERE ARE SOME INDICATORS.

A RECENT SURVEY COMPLETED BY THE "BLACK
ECONOMIC RESEARCH CENTER" CONCLUDED THAT MINORITY
BUSINESSES FAILED LAST YEAR AT A RATE OF ABOUT
18 PERCENT. UNDOUBTEDLY, THE BLACK BUSINESS FAILURE
RATE THIS YEAR WILL BE EVEN WORSE.

AS WITH MOST SMALL BUSINESSES, TIGHT CREDIT,
HIGH INTEREST RATES, HIGH UNEMPLOYMENT AND DECLINING
REAL INCOMES TRANSLATE INTO LOWER SALES, LESS
CAPITAL, AND MUCH LOWER PROFITS.

As you all know, HIGH INTEREST RATES INTENSIFY
THE NORMAL RELUCTANCE OF MOST BANKS TO EXTEND
CREDIT AT ANYWHERE NEAR REASONABLE RATES TO SMALL
BUSINESSES. If those businesses are black without
proven records, little money is available to keep
them going during tight periods like these.

OF COURSE, THE FAILURE OF BANKS TO BE FORTHCOMING
WITH THIS CAPITAL SHARPLY CURTAILS THE IMPACT OF
THE SMALL BUSINESS LOAN GUARANTEE PROGRAM ON MINORITY
ENTERPRISES.

WE CAN AFFORD TO DO MUCH MORE TO STIMULATE
SMALL BUSINESSES IN THIS COUNTRY, TO PROMOTE THE
CREATION OF NEW FIRMS, TO GAIN FROM THE PRODUCTIVITY
THAT COMES FROM INDIVIDUAL INITIATIVE IN ONE'S
OWN ENTERPRISE, AND AT THE SAME TIME TO OPEN UP
OUR SMALL ENTERPRISE SYSTEM TO THE FULL PARTICIPATION
OF EVERY SEGMENT OF THE AMERICAN CITIZENRY.

ALL AMERICANS HAVE THE RIGHT, AND WE IN GOVERNMENT AND BUSINESS THE OBLIGATION, TO SEE TO IT THAT THE FRUITS OF INDIVIDUAL INITIATIVE AND HARD WORK ARE AVAILABLE TO ALL THOSE IN OUR SOCIETY WHO ARE WILLING TO MAKE THE EFFORT.

WE CAN AND WE MUST DO MORE TO HELP MINORITY ENTERPRISES START UP, CONTINUE IN OPERATION, AND SURVIVE DURING THEIR INFANCY.

L IN AN ATTEMPT TO ADDRESS SOME OF THESE ISSUES, ✓
SENATOR GAYLORD NELSON, CHAIRMAN OF THE SENATE
SELECT COMMITTEE ON SMALL BUSINESS, AND I, AS
CHAIRMAN OF THE JOINT ECONOMIC COMMITTEE, WILL
HOLD A SERIES OF OVERSIGHT HEARINGS. L THESE
HEARINGS WILL FOCUS ON SOME OF THOSE ISSUES I JUST
MENTIONED, AS WELL AS EXAMINING THE SMALL BUSINESS
ADMINISTRATION AND ITS PROGRAMS.

L AS THESE HEARINGS GET UNDERWAY, I WOULD EN- ✓
COURAGE ALL OF YOU TO TAKE AN ACTIVE INTEREST IN
THEM. L AND, OF COURSE, YOU AND YOUR REPRESENTATIVES
ARE ENCOURAGED TO TAKE PART IN THESE PROCEEDINGS.

DURING THE PAST TWO YEARS OF ECONOMIC CHAOS IN
OUR NATION, MANY OF THE PROBLEMS CONFRONTING OUR
SMALL AND INDEPENDENT BUSINESS PEOPLE HAVE SURGED
TO THE SURFACE.

L THE PRODUCTIVITY-SAPPING EFFECT OF EXCESSIVE
GOVERNMENT BUREAUCRACY AND RED TAPE IS ABUNDANTLY
CLEAR TO EVERYONE WHO KNOWS THE FIRST THING ABOUT
AMERICAN BUSINESS. ✓

L THE INFLATIONARY IMPACT OF IN MANY CASES foodish
AND ARCHAIC GOVERNMENT REGULATIONS OF BUSINESS
ACTIVITIES IS OBVIOUS.

THE GRAVE DIFFICULTY ENCOUNTERED BY OUR SMALL
BUSINESSES IN ATTEMPTING TO GROW AND RAISE THE CAPITAL
THAT SUCH GROWTH REQUIRES IS EVER MORE APPARENT.

THE SEVERE PROBLEMS IN GAINING ACCESS TO SUPPLIES
OF MATERIALS REQUIRED FOR PRODUCTION IN THE FACE
OF RESOURCE SCARCITY BECOMES A GROWING CONCERN.

THE EVER DECLINING LEVEL OF ASSISTANCE TO SMALL
BUSINESS, IN GENERAL, AND TO OUR MINORITY SMALL
BUSINESS ENTERPRISES, IN PARTICULAR, TAKES ITS CERTAIN
TOLL.

THESE ARE JUST A FEW OF THE MANY SERIOUS PROBLEMS
RESULTING FROM EXCESSIVELY HIGH RATES OF INFLATION,
ENERGY SCARCITY, AND DEEP RECESSION.

2 THE UNPRECEDENTED ECONOMIC CONDITIONS--THE
STAGFLATION OF THE LAST SEVERAL YEARS--REQUIRES THAT
GOVERNMENT MAKE A COMPREHENSIVE REASSESSMENT OF
THE STATE OF SMALL BUSINESS IN AMERICA TODAY.

NEXT WEEK, I WILL INTRODUCE WITH SENATORS TOWER, ✓
NELSON AND JAVITS, LEGISLATION TO CREATE A NATIONAL
COMMISSION ON SMALL BUSINESS IN AMERICA. WE
HAVE BEEN WORKING TOGETHER CLOSELY ON THIS PROPOSAL
AND ALL OF US BELIEVE THAT IT WILL TAKE THE SINGLE
MINDED ATTENTION OF SUCH A NATIONAL COMMISSION TO
SERIOUSLY STUDY THE PROBLEMS CONFRONTING THE
SMALL BUSINESS COMMUNITY AND TO COME UP WITH THE
PRACTICAL RECOMMENDATIONS THAT WILL ASSURE THE
CONTINUED PROSPERITY OF THIS VITAL SECTOR TO
SERVE GENERATIONS OF AMERICANS TO COME.

AS A SMALL BUSINESSMAN MYSELF, I HAVE A ✓

CONTINUING INTEREST IN IMPROVING THE CLIMATE IN

WHICH WE EXIST. I PLEDGE TO ALL OF YOU MY HELP IN

MEETING THE MANY DEMANDS PLACED UPON YOU.

* * *

*Bride -
Restraint of
Confidence*



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