Report to the President

America's Small Business Economy

Agenda for Action

The White House Commission on Small Business

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Small Businesses Pledged Special Aid by President

By Jane Seaberry
Washington Post Staff Writer

President Carter pledged yesterday to help solve the problems of small businesses, a group which complains it is bearing the brunt of Carter's anti-inflation policies.

Carter made the promise during a White House Rose Garden ceremony when he received the final report of the White House Conference on Small Business, which met in January.

"There is no doubt in my mind that the small business conference, and the way it was handled, has been one of the major forces in strengthening the American economy and our free enterprise system," Carter said.

"This report will be a milestone, and . . . at the end of this assessment period—when we are working together, not only with those assembled here but with the Congress and the other members of the business and labor community in our country—we will come back in 1982 with a good assessment of dynamism and progress."

A follow-up conference is scheduled for 1982, and Carter said he plans to be there, "hopefully not as a small businessman, but who knows? That is a judgment for the American people to make."

A press conference following the ceremony was held by conference chairman Arthur Levitt Jr., chief executive of the American Stock Exchange, and A. Vernon Weaver, head of the Small Business Administration, who both defended Carter's record on small business.

See SMALL, B3, Col. 3

Letter to President Jimmy Carter

Dear Mr. President:

It is an honor and a pleasure to transmit to you the final report on the 1980 White House Conference on Small Business.

When you signed Executive Order 12061, you brought a remarkable process into being. Over the course of the past two years, we have seen more than 25,000 small-business men and women participate in discussion and debate on the problems of the Small Business sector of our economy. The contributions of these participants, together with the experts whom we consulted and the members of your Administration who gave unstintingly of their time, helped to create a White House Conference that was the most successful ever.

This volume is in two parts. One is the Commission's Report on the Small Business Economy. The other is the Commission's Report on the White House Conference, presenting the delegates' recommendations and resolutions.

On behalf of everyone who participated in this extraordinary event, we would like to thank you for calling the Conference. We believe that the goals and recommendations contained herein provide important directions for formulating new policies for Small Business, and we stand ready to help implement them in any way we can.

Respectfully,

Arthur Levitt, Jr.

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Ann M. Davis

Dale Sights

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Report to the President

America's Small Business Economy

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By the White House Commission on Small Business

April 1980

39 **REPORT ON THE 1980 WHITE HOUSE CONFERENCE ON SMALL BUSINESS**

40 **1. Introduction**
42 The Origins of the Conference
43 Task Forces and Caucuses
44 Profile of the Delegates
45 The Opening of the Conference
46 The Conference Format
46 The Final Balloting

48 **2. The Results of the Conference**
49 Resolution 1: Bill of Rights
50 The Delegates' 60 Recommendations
56 The 15 Top-Priority Recommendations
57 The 11 Conference Resolutions

61 **3. Analysis of the 60 Recommendations**
62 Capital Formation and Retention
65 Minority Business Development
70 Innovation and Technology
72 Inflation
74 Veterans in Business
76 Federal Procurement
78 Energy
80 Women in Business
82 Government Regulations and Paperwork
85 Economic Policy and Government Programs
87 International Trade
90 Education, Training, and Assistance
91 Concluding Summary

93 **FOOTNOTES**

97 **APPENDICES**
98 **A.** White House Release Announcing the Conference
99 **B.** Regional Conferences and Open Forums
100 **C.** Task Forces
104 **D.** Regional Delegate Caucuses
104 **E.** Conference Agenda
105 **F.** Balloting Results
106 **G.** Conference Staff
108 **H.** List of Delegates

COMMISSION REPORT ON THE SMALL BUSINESS ECONOMY

There is a tide in the spirit of individual enterprise in America, and it is rising.

More and more Americans are eager to start small, independent businesses. More and more are deciding that only through ventures of their own can they achieve the kind and quality of life that they envision. According to Dun & Bradstreet,[1] 477,827 new businesses were incorporated in 1978, and late in 1979 the annual rate was running at more than 520,000—63% greater than the number of new incorporations five years before.

In those same five years, the number of self-employed Americans tabulated by the Bureau of Labor Statistics[2] leaped nearly a million to 6.6 million—reversing a trend that had been down or flat for the better part of a century.

This shift is only in its infancy. Its momentum, however, holds profound implications for the political and social fabric of the nation, for it represents a renaissance among Americans of self-confidence, resourcefulness, and risk-taking. But frustration and dissatisfaction are motivating factors, too. As the 1980 White House Conference on Small Business showed, the men and women who own and operate small businesses in America are distressed by a hemorrhaging of economic ills, and they feel they must assert their voice in national affairs.

Attended by 1,682 delegates and 3,600 other participants, family members, and observers, the White House Conference on Small Business convened in Washington on January 13, 1980, at the behest of President Jimmy Carter. During the next four days, delegates aired a wide variety of hopes and grievances. Like other Americans, they are deeply disturbed about inflation, counterproductive tax and regulatory burdens, extravagant growth in government bureaucracy, and the soaring cost of credit.

Small-business people are speaking out because they know that something fundamental is wrong and that basic changes are needed. Hyperinflation and falling productivity are not temporary disorders requiring short-term palliatives. They are symptomatic of deeper problems in our economic structure.

Some are problems of scarcity: We must find new energy sources, develop new supplies of raw materials, and expand our depleting pool of capital. Some are problems of deterioration: We must regenerate our renewable resources, renovate our aging plant and equipment, and restore our leadership in world markets. Some are problems of lethargy: We must stoke the embers of competition and revitalize our innovative genius.

The magnitude of these difficulties is disheartening. But they all come down to

"Small companies have provided an astonishing 86.7% of the nation's new jobs in the private sector."

harder in order to survive. Industry by industry, the proliferation of small enterprises strikes at inflation through competitive pricing, while small innovative firms generate new technologies to leverage productivity in its traditional sense. As a study by the Office of Management and Budget shows (page 21), more than half of the major innovations in contemporary life have come from individuals and small organizations.

Investment dollar for investment dollar, in fact, small companies produce far more jobs and as much as 24 times as many innovations[4]—a critical consideration at a time when productive capital is increasingly scarce and costly.

Small Business is critical to the nation's balance of trade in two ways. There is mounting evidence that in many industries where small companies flourish, imports are unable to gain a significant market share—because of small companies' competitive pricing, high standards of craftsmanship, and the wide variety of their products.

Meanwhile, the potential for exports by small producers is virtually untapped—even as visitors from other countries marvel at our products. Developing this potential would contribute greatly to overcoming the nation's trade deficit, strengthening the dollar, and improving the U.S. negotiating posture in international affairs.

There are at least two important benefits inherent in smallness, as economist E. F. Schumacher eloquently pointed out in his book, *Small is Beautiful,*[5] that are not easily quantified. One is that industrial activity distributed among many small producers disperses strains on the environment and permits nature to recuperate more readily. The other is that small-scale organizations, because they are so flexible, can more easily structure jobs to motivate employees and to make work more personally meaningful—thus achieving psychological benefits that accrue directly to productivity.

Small enterprise is also the chief avenue for drawing women, Blacks, Hispanics, and other minorities, as well as Vietnam veterans, into the economic mainstream. These groups, partly because they have been left outside the mainstream, represent an important reservoir of fresh perspectives, imagination, and energy that must be brought to bear on national problems.

Most significantly, through its inventive talents and endless experimentation, Small Business provides the seedbed for growth. Small Business' new products, new services, and technological breakthroughs—in everything from energy sources and

appropriate policy for the Small Business Economy, American entrepreneurship can produce with equal vigor.

The Commission wishes to contribute to a framework for such a policy by drawing upon the proposals of the 1,682 delegates to the White House Conference on Small Business. During five hard-working days, the delegates hammered out 60 specific recommendations to put before the President, and they voted to underscore 15 of those recommendations as top-priority measures requiring immediate attention.

As those recommendations show, small companies are aggrieved by a policy of neglect that has inadvertently imposed obstacles and inequities that seem to thwart efficient business operations at every turn. The single most important message of the Conference is that government must eliminate those obstacles and inequities and play a reduced role in small-business activities.

Eleven of the top 15 recommendations, for example, involve taxes, inflation, and regulation. Uppermost among the delegates' concerns is that disproportionately heavy taxes are siphoning away capital, and that misguided regulations and paperwork are siphoning away productive time and energy. The delegates are disturbed, too, that only a tiny fraction of federal research-and-development dollars go to small, innovative firms. They want specific procurement and credit measures to help groups outside the economic mainstream to build businesses of their own. And they want channels opened so that small-business interests can be advanced in policymaking circles.

The role of the Commission is to cast the delegates' immediate concerns and tactical proposals into long-range goals for the Small Business Economy. Adopting both the spirit and the recommendations of the Conference, the Commission has derived three overall objectives for the 1980s:

"For the past 300 years, the cycle of resurgence in 'small undertakings' has provided the wellspring for the nation's growth."

- Small Business must play a larger role in national economic activity and should account for 50% of the gross national product by the end of the decade;

- Policymaking units such as the Economic Policy Group, the Federal Reserve Board, the Department of Treasury, Congress, and the regulatory agencies should recognize that small enterprises form a distinct economic structure within the national commerce and should develop distinct policy approaches for the Small Business Economy;

2
THE SMALL BUSINESS ECONOMY

towns comprised of small businesses with towns dominated by large companies headquartered and owned elsewhere.

Professor Mills found that small-business communities had higher income levels, more balanced and stable economic lives, and greater civic participation. His study showed that small-business towns had more abundant retail facilities and goods; more home ownership, better housing, and fewer slums; better health and sanitation standards and lower mortality rates; plus greater expenditures for education, recreation, cultural, and religious activities.

"A broad base of small enterprise gives communities a cushion of self-sufficiency against national economic trauma."

Since Mills' study, government programs and more enlightened attitudes among many large corporations have raised the standards in big-company towns. Nevertheless, a broad base of small enterprise clearly gives communities many advantages, not the least of which can be a cushion of relative self-sufficiency against national economic trauma.

How takeovers of local companies can depress a local economy is suggested by a study of acquisitions in Wisconsin by Professor Jon G. Udell of the University of Wisconsin's Graduate School of Business.[8] The study showed that in three out of four cases, the acquired company severed its ties with local banks, local accountants, and local attorneys. It often cut off local suppliers and advertising agencies to consolidate accounts with the new parent, and it frequently reduced financial contributions to community activities. To cap it off, most of the companies, after being acquired, saw their own growth rates drop—which accelerated the local economic decline.

Trends Toward Regionalization

The beginnings of an extraordinary change in population movement may make Small Business far more important to the nation's health in the future. In the 1970s, the traditional patterns of migration from rural areas and small towns to big cities suddenly reversed. Several million people moved back to small towns.

One reason for this shift is the quest for a different quality of life: Increasing numbers of people are willing to sacrifice a measure of affluence to escape the vicissitudes of big-city life. Another reason is that new employment has opened up in coal and metal mining due to the energy crisis and to soaring

In sum, the Small Business Economy, although nationwide in principle, is in practice a loosely-connected molecular network of hundreds of local economies. In the future, regional business may make more sense than transcontinental business. Small regional companies may become far more critical to the nation's health as big corporations become more internationally than domestically oriented.

A national policy for Small Business should take this increasing regionalization into account. Standardized measures that blanket the nation may prove unwise. Policymakers should be sensitive to regional differences in levels and kinds of economic activity, supplies of materials and labor, availability of capital, and other financial and commercial considerations.

Generating New Jobs

Small Business in the 1980s will have to take over more and more of the responsibility for creating new employment in the U.S. economy, as growth among medium and large companies becomes more stagnant and government struggles to slow its own expansion. As Carter Henderson, co-director of the Princeton Center for Alternate Futures, testified in hearings before the U.S. House of Representatives Subcommittee on Antitrust, Consumers, and Employment:

> In my opinion, the future of small business in our country is going to have a great deal to do with helping the U.S. economy remain strong as we come down after 25 years of absolutely cornucopian growth to a rather slow-growing economy. We are going to have to look to small business to pick up some of the slack to provide not only more jobs, but jobs which over the next decade absorb all the energy and talents of the biggest, best-educated, and potentially the most capable labor force in U.S. history.[10]

"To achieve a healthy level of employment for Americans in the 1980s, 11 million new jobs will have to come from Small Business."

Small Business is already producing the lion's share of new jobs. Government's contribution to new employment in the U.S. climbed as high as 35.2% in the early 1970s but since 1975 has dropped to about 9% as government's growth has

> **If history is any guide, the growth companies of 1990 and beyond will most likely have names unknown today.**

A study by the Office of Management and Budget[18] shows that more than half of the major technological advances this century originated from individual inventors and small companies. A sampling of those achievements is remarkable. And many of these inventions sparked major new U.S. industries and growth companies:

Xerography	Frequency modulation radio
DDT	Self-winding wristwatch
Insulin	Helicopter
Vacuum tube	Mercury dry cell
Penicillin	Power steering
Titanium	Kodachrome
Cyclotron	Air conditioning
Shrink-proof knitted wear	Polaroid camera
Zipper	Ball-point pen
Automatic transmission	Cellophane
Gyrocompass	Tungsten carbide
Jet engine	Bakelite

If federal policymakers have tended to disregard America's inventive talents, other nations have not. One disturbing trend is that foreign interests have been buying control of several of our small high-technology companies. Moreover, federal R&D expenditures relative to GNP have slipped gradually from 2.9% in 1967 to 2.3% in 1975,[19] the latest figure available, while the R&D ratios of such countries as Japan and West Germany have been rising. One reflection of this is that foreign companies and inventors have been claiming a rising proportion of U.S. patents. In 1964, only 22% of the patents issued by the U.S. Patent and Trademark Office went to foreign applicants. In 1979, that share reached 38%.[20]

Innovation has always been a hallmark of America's strength. "Technology transfer" to other countries has been a bulwark of our international trade. Yet the nation risks losing its leadership in innovation.

The most productive target for R&D dollars is unquestionably small businesses. Polaroid, Xerox, and countless other growth companies of the 1960s and 1970s were, after all, once small entities themselves. A more recent success story is Small Business' development of the microelectronic industry.

In the future, new forms of data communications, laser technology, ultrasonic scanning, medical instruments, biogenetics, cancer-fighting techniques, water and resources conservation, energy from renewable resources such as sun, tides, and wind, unforeseeable discoveries to retard the aging process—these, and more, will be transformed into commercial industries in the Small Business Economy. If history is any guide, the growth companies of 1990 and beyond will most likely have names unknown today.

around the U.S., attended by more than 9,000 small-business people so far.[24]

What Small Business needs is education, availability of credit and financing, and some effective trade mechanism such as export trading companies to handle their products overseas, or programs such as the Massachusetts Export Marketing Program. Called MASSPORT and funded by federal, state, and local monies, the program provides small exporters with market research, counseling about finance and shipping, and also sets up trade fairs and missions.

Small Business' Dwindling Slice of the Pie

Since the war mobilization effort of the 1940s, Small Business' share of the nation's economic activity has been in a serious downtrend. Much of the shrinkage is due to neglect. As commentator Irving Kristol wrote in a November 13, 1975 *Wall Street Journal* editorial entitled "The New Forgotten Man:"

> No one is leading a crusade against him, and it is probable that no one really wants to. He is merely being chided, harassed, ruined, and bankrupted by a political process that takes him for granted and is utterly indifferent to his problematic condition. I refer to the small businessman.

It is a measure of how overlooked Small Business is that no adequate yardsticks have been developed to describe the decline. According to some guesstimates, Small Business' share of GNP was close to 55% after World War II. The SBA today uses two figures based on differing standards of what a "small" business is, and neither figure is more recent than 1972. One indicates that Small Business' share of GNP has fallen to 40%. The other says the share is 36.5%[25]

Measurements of individual business sectors show the same trend. Manufacturing, where the greatest industrial concentration has occurred, has received the most attention. According to data from the Federal Trade Commission (FTC), the share of manufacturing assets held by small companies—those with $10 million in assets or less—fell dramatically from 18.6% in 1960 to 11.1% in 1976.[26]

Census data provide another way to look at the trend over a shorter time span: In 1963, companies with 500 or fewer employees captured 29¢ of every sales dollar from manufacturing; 10 years later, their share had dropped to 23½¢. The same pattern appears in retailing and wholesaling.

In other words, unless the trends for Small Business as a whole are reversed, more and more new companies will merely be battling over a smaller and smaller slice of the pie.

There is another set of numbers, however, that leads to an arresting conclusion—figures on net profits. The nation's total corporate aftertax earnings, as tabulated by the IRS, rose from $23 billion to $49 billion bewteen 1960 and 1976.[27] FTC figures for that period show that large companies, those with more than $250 million in assets, increased their share of profits from 59% to 73%. The share of profits for small and medium-sized companies fell from 41% to 27%.

The smallest businesses, however, bucked the trend. Companies with less than $5 million in assets *doubled* their proportion of total corporate profits from 3% to 6%. Moreover, during that same 1960-1976 period, large corporations were on a buying spree—more than 37,500 corporate mergers and acquisitions took place just in industries over which the FTC has jurisdiction, which excludes communications, transportation, and banking.[28]

It is thus hard to avoid the conclusion that large companies have been expanding profits mostly by gaining control of other companies, while the smallest companies have been expanding profits through competitive grit and efficiency. By that standard, as well as the standards of new jobs and innovations, small and new companies represent the most productive use for capital.

The six-goal program outlined on page 14 provides an important policy framework for improving the economic environment for Small Business. In this section, the Commission elaborates on each of these goals. Also, drawing upon countless discussions with small-business people at field conferences and caucuses around the country, as well as the 60 tactical measures recommended by the Conference (page 50) and the Commissioners' own expertise and experience, the Commission would like to highlight several recommendations and advance others of its own that it believes will contribute the most, in a strategic sense, to achieving these goals in the 1980s.

To recapitulate the Commission's views:

The Small Business Economy should account for at least half of the gross national product by the end of the decade. It must create more jobs and innovations. It must multiply its resources by drawing more people into the current of entrepreneurial activity. And it must contribute more to the U.S. balance of trade.

Current economic policies and government practices, however, undermine Small Business' ability to produce. Some segments of the Small Business Economy, such as export trade and women-owned and minority-owned business, require special stimulus. But by and large, what policymakers must do is eliminate disincentives and inequities that now discourage productive investment and individual undertakings.

It is urgent that the Administration, the Congress, and the independent federal agencies act swiftly, for the U.S. faces economic difficulties that, although different in kind from the 1930s, are no less troubling.

Hyperinflation and falling productivity are only aspects of the problem. U.S. plant and equipment are becoming obsolete as inflation makes depreciation allowances inadequate to replace them. As we lose our ability to compete in global markets, more and more of America's wealth moves to other nations; last year, $60 billion slipped out of our hands into the pockets of oil-producing nations alone.[29] To continue consuming at higher and higher prices, we use up our savings, the pool from which we draw investment capital.

Capital. As the Conference delegates indicated by their top recommendations, capital is the overriding issue facing Small Business today. The problems of obtaining debt and equity money fall into three categories: capital formation, access to capital, and capital retention.

The ability to attract and retain capital relates directly to incentives built into the tax structure. In numerous ways, U.S. tax laws and accounting principles benefit large companies, forcing small companies to drain capital in order to pay a disproportionately large share of the nation's tax bill.

The problems range from accounting for research-and-development costs to estate tax rules that often force heirs to sell family-owned businesses to bigger companies. The major areas of imbalance, however, are in depreciation methods, inventory accounting, and tax credits.

One example is the Class Life Asset Depreciation Range method of recovering capital, which is generally known as ADR. ADR can materially benefit companies, but its rules are so complex that only large companies with huge staffs take full advantage of it. Internal Revenue Service figures[31] show that 94% of the biggest companies use ADR, but only one-half of 1% of companies with less than $5 million in assets use it. Partly as a result, companies with more than $250 million in assets deduct depreciation equal to 3.6% of their receipts, while small companies' deductions equal only 1.9%.

Large companies get the biggest benefits, too, from the investment tax credit and the foreign tax credit. According to the IRS, companies with more than $1 billion in sales are claiming credits equal to 61.1% of their tax liability, while companies with only $1 million to $5 million in sales are claiming credits equal to only 6.5%.

But the more earnings that small companies can retain, the more they can expand, develop new products and services, and create new jobs. At the White House Conference, the subject of retained earnings was the delegates' chief concern. They overwhelmingly endorsed a recommendation for a more graduated corporate income tax as their top-priority item. Likewise, the Commission believes that a more gradual rise in the tax rate is the single measure that would most benefit all small corporations.

Recommendation: *Legislate a more graduated corporate income tax, reducing taxes at the low end of the rate schedule by pushing the top of the tax-rate stepladder from $100,000 to at least $500,000 of earnings.*

This measure would provide immediate relief to all incorporated small businesses without discrimination, and it would not force small-business owners to take specific actions to obtain the benefits.

Corporate taxes are currently scaled this way:

Taxable Income	Tax Rate
$ 0-25,000	17%
$25,000-50,000	20%
$50,000-75,000	30%
$75,000-100,000	40%
More than $100,000	46%

The delegates considered a variety of alternative upper limits and finally agreed on $500,000. Such a rate schedule might look like this:

Taxable Income	Tax Rate
$ 0-25,000	12%
$ 25,000-50,000	14%
$ 50,000-100,000	17%
$100,000-200,000	20%
$200,000-300,000	25%
$300,000-400,000	30%
$400,000-500,000	38%
More than $500,000	46%

Conventional wisdom holds that any tax cut fuels inflation by reducing federal revenues, deepening the budget deficit, and increasing consumer spending. A more graduated *corporate* tax, however, would not put money into the hands of consumers but into the hands of companies to expand.

Also, most estimates of federal revenue losses are unrealistic because they do not take into account how reinvested capital produces more taxable corporate earnings as well as more jobs, thereby cutting unemployment benefits and increasing personal tax and Social Security payments. Small Business, in the Commission's view, is especially responsive in this regard.

Recommendation: *Legislate comparable tax relief for sole proprietorships and the self-employed.*

Because four out of five small businesses are unincorporated, the Conference delegates also proposed a more graduated rate for personal income taxes. The purpose of the recommendation was to address sole proprietorships and the self-employed. For those who cannot incorporate, a simple and direct way to ease the tax burden might be to reduce the percentage of business income reported as personal income—permitting 75% or 67% of Schedule C earnings instead of the 100% currently required, for example, to be added to the Form 1040 tax form calculations.

obstacles in today's capital markets. They would essentially be debt instruments, but a portion of the interest payments would be related to a company's profits.

The terms would be negotiable, allowing rates and payments of principal to vary according to each company's needs and growth potential. When a company was struggling in its early years, the interest rate could be set low. When the company began making money, it could pay additional interest from net income just as it would pay dividends.

Small companies would get the advantages of a low initial interest rate and, later, dividend-type payouts (called premium interest) that could be deducted as an interest expense—all without giving up a portion of equity to outsiders.

Investors would get the opportunity to participate in earnings growth, could treat premium-interest income as capital gains, and eventually would get their money back without having to find a buyer for the security, as they would have to do if they held stock.

Tax changes necessary to create SBPDs—which are contained in Senate bill 1481—could be made soon. According to initial estimates, the loss to federal tax revenue would be insignificant, and no new government red tape would be required.

"A complete overhaul of depreciation is desperately needed to begin restoring the nation's productive capacity."

Regulations and Paperwork

The most maddening obstacles to operating a small business are inappropriate federal regulations and the overwhelming, often incomprehensible reporting requirements that go with them.

Goal 2: *Eliminate or reduce onerous regulations and reporting requirements that inhibit small companies' growth and in some cases threaten their survival.*

Regulation is nothing new; Congress established the first independent regulatory agency, the Interstate Commerce Commission, in 1887. But during the past decade, the growth of government regulation has been explosive, particularly in such areas as affirmative-action hiring, energy conservation, and protection for consumers, workers, and the environment.

Small-business people recognize that some gov-

ards, variances, checklists, guidelines, plans, study-sessions, public meetings, rule-makings, hearings, non-hearings, burdens of proof, appeals, etc. . . . to accommodate the rapidly growing enforcement budgets at all levels of government.

The SBA's Office of Advocacy recently estimated that Small Business spends $12.7 billion per year on government paperwork. It surveyed 1,000 companies and learned that those companies had to deal with 305 million government forms asking 7.3 billion questions.[37]

The Administration, the Congress, and the regulatory agencies, in the Commission's view, should ultimately develop a distinct regulatory policy for Small Business. The most important initial step is to determine exactly what impact each regulation has on small companies.

Recommendation: *Require all federal agencies to analyze the cost and relevance of regulations to small businesses.*

> **"Most small businesses cannot staff batteries of lawyers and accountants to fill out forms and decipher rulings."**

Some enforcement mechanism should also be established to monitor the agencies' impact studies—perhaps a Small Business Regulatory Review Board composed of representatives from the executive branch, Congress, and Small Business.

Countless government initiatives are already underway to review federal regulations and to reduce paperwork. Only a fraction of them are on behalf of Small Business, but those few are encouraging. For instance, the President late last year appointed the SBA Administrator to the Regulatory Council, giving Small Business for the first time a direct line of communication to the heads of regulatory agencies.

The President also sent an Executive Memorandum to executive departments and agencies (and a letter of request to independent agencies) directing them to take into account the size and nature of a regulated business when formulating new rules and regulations, and to review existing reporting requirements in order to adapt them, within statutory limits, to different-sized businesses. The SBA, working with the Regulatory Council and the Office of Management and Budget, is coordinating the effort.

More than 200 bills have been introduced in the 96th Congress to provide regulatory reform or relief, and measures for Small Business are included in some of them. For instance, regulatory flexibility for small companies—or "two-tiering"—seems likely to be part of an omnibus regulatory reform bill. Besides exempting small businesses, tiering could be achieved by setting different performance standards, reporting requirements, penalties, and timetables.

Also, regulatory reform legislation may require government to pay legal costs for small business defendants in civil suits that the government initiates and subsequently loses. The Commission strongly endorses this measure. If regulators were financially liable for their actions, they might think twice before slapping on penalties.

The Commission also believes strongly that civil regulatory disputes between government and small companies should be subject to federal magistrate review. Small companies now have to go through long and expensive battles at the regulatory agency or in a Federal Court of Appeals if they want to fight an adverse regulatory ruling. Pending legislation would make the procedure simpler and faster. A small company could petition a Federal District Court for a magistrate to review civil penalties of $2,500 or less within 30 days. The magistrate's decision would be final.

> **Because the DISC program is controversial and complex, a simple alternative should be available to small companies.**

The export incentives now available to small companies are embodied in Domestic International Sales Corporations (DISCs) created under the 1971 Revenue Act. The law allows a manufacturer to set up a separate DISC vehicle that pays no taxes on export income up to $100,000 and can defer taxes indefinitely on 50% of income above that amount. Large manufacturers have taken advantage of DISC's tax benefits, but most small companies feel that establishing and running a DISC company is too complicated and expensive.

The delegates interested in international trade proposed numerous changes in DISC provisions to encourage more small companies to set up such entities. One would allow a double tax deduction for expenses incurred promoting products at overseas exhibitions and trade fairs. Another would allow a double deduction for insurance premiums paid to the Export-Import Bank and the Foreign Credit Insurance Association. A third would raise the ceiling on the tax-exempt portion of export income from $100,000 to $500,000. Others would liberalize the law's formula for the amount of profit that is deemed distributable income (such as a dividend) and eliminate growth quotas that a company must now meet in its early years to continue to qualify as a DISC.

The Commission supports these measures. Recognizing, however, that the DISC program is both controversial and inordinately complex, the Commission feels that a simple alternative should be available to small companies. For that reason, it would like to stress two other delegate recommendations obscured by the complexity of the DISC proposals.

Recommendation: *Provide small companies with a direct tax advantage for marketing their products abroad.*

The object of this recommendation is to encourage small companies to export without requiring them to set up a separate corporation. The simplest and most direct measure would be an "exporter's allowance," similar to such allowances used by other nations, permitting a double (or some other multiple) deduction of costs incurred to increase foreign sales.

now run about $100 billion per year, while federal grants to states and municipalities run far more than that. Including grants along with procurements would more than double the amount of money subject to mandatory goals. Taking that into account, the Commission views the delegate recommendations as ultimate goals. To attain those ultimate goals, the Commission believes that annual levels should be scaled upwards to increase capacity at a realistic pace and that interim goals are necessary. On that basis, the Commission calculates that 10% for minority businesses, 5% for women-owned businesses, and at least 30% for other small businesses are realistic goals achievable by 1990. That totals 45%, or nearly the 50% share of GNP that Small Business should account for by the decade's end.

Capacity is a serious problem. The Commission anticipates that full enforcement of the law will create deep problems for small, minority, and women-owned companies not yet addressed by Congress—specifically, finding start-up capital. Banks often do not lend money against government contracts as receivables, which effectively constricts the opportunities that PL 95-507 legislators intended to expand. Accordingly, the Commission advances these proposals.

"Federal procurements and grants provide a tool for achieving important economic and social goals."

Recommendation: *Authorize the SBA to provide 95% loan guarantees to small and minority subcontractors under PL 95-507, and to women subcontractors under equivalent provisions, to finance start-up costs. Also, permit companies certified under the Small Business Act's Section 8(a) that win subcontracts under PL 95-507 to apply for advance payments and Business Development Expenses under the 8(a) programs.*

The loan guarantees would apply to bank loans to cover costs between the date a subcontract is awarded and the effective date for beginning the contract. Such a provision would require a congressional amendment to the Small Business Act. The second measure is required because 8(a) companies currently cannot avail themselves of 8(a) benefits when they act as PL 95-507 subcontractors. Administrative action by the SBA is all that is needed to change that.

Recommendation: *Include penalties in contracts for prime contractors in the event that they do not meet their specified goals for using small, minority, or women subcontractors.*

Commerce, Labor, and State Departments and the Office of Management and Budget, plus the Vice President, the Advisors on Domestic Policy and National Security, and the White House Staff Director.

In addition to this measure, the Commission strongly urges Congress to authorize more funds for the SBA's advocacy efforts.

There are numerous initiatives that small-business people should undertake themselves—and many are already doing so. Following the success of the Conference, delegates have volunteered to form a steering committee that will design a permanent organization in Washington to represent Small Business interests at the national level. Meanwhile, groups such as COSIBA (Coalition of Small and Independent Business Associations), COSE (Council of Small Enterprises), NSBA (National Small Business Association), and SBLC (Small Business Legislative Council), among others, are forming legislative action groups to influence local as well as federal government policies.

The Commission wishes to advance two proposals touching on efforts at the state and local levels.

Recommendation: *Each Governor or legislature should appoint that state's White House Conference delegation as a commission to reproduce small-business conferences at the state level.*

State conferences similar to the national Conference in Washington would, in the Commission's view, do more than any other single effort to unify small business interests. The conferences also would encourage owners of small companies to participate in state and local political processes as well as identify state and local measures that retard small businesses' growth.

Recommendation: *Develop curricula on the American economy in primary, secondary, and post-secondary schools to familiarize young Americans with basic economic, business, and entrepreneurial principles.*

The members of the Commission feel strongly that public sentiment hostile to business is due largely to insufficient understanding of what produces prosperity, how the U.S. economy works, and how free enterprise and political democracy are inextricably entwined. More than 300 universities now offer courses on entrepreneurship to college students, programs that have created a wave of young Americans eager to go into business for themselves. But many economically disadvantaged teenagers never go to college, and many other students arrive at college with attitudes toward business already formed.

The Commission declines to prescribe specific content for school courses, but it believes that courses at pre-college levels would help instill self-reliance and self-initiative and would acquaint young Americans with the opportunities for individual enterprise open to them. Furthermore, the nation urgently needs to begin developing the next generation of business and community leaders now. The Commission urges Conference delegates, other small-business owners, and state and local officials to develop model curricula that could be adopted by school systems around the nation.

REPORT ON THE 1980 WHITE HOUSE CONFERENCE ON SMALL BUSINESS

The 1980 White House Conference on Small Business, the largest such conference ever held, will be remembered for a number of accomplishments. One, of course, is the package of 60 recommendations that the delegates developed for the President. The other achievements are less tangible, but they are no less significant for Small Business in the years ahead.

The most important example is that specific recommendations would never have emerged from the Conference if the delegates had not achieved a spirit of unity. By their very nature, small-business men and women tend to be independent and competitive. They had never thought of themselves as a cohesive group, nor had they ever had the chance to learn about each other's concerns at a national gathering. There were two previous small business conferences, but neither matched the 1980 Conference in size or importance. Neither was called by the President, nor did they include elected delegates. And they did not succeed in bringing about a unified identity and spirit. One in 1937 ended in fistfights, while the other, in 1956, represented only a narrow segment of the small business community.

Small Business in America is still a chorus of many voices. The problems and attitudes of oil-company suppliers in Houston differ from those of financial advisors in Boston or mom-and-pop motel operators along rural highways. It was a particularly inspiring aspect of the 1980 Conference that people of a rich diversity of backgrounds and values could discover common interests and subordinate their differences in order to pull together.

That cohesion grew out of an arduous, 18-month process that also ranks as a notable achievement, for it demonstrates how traditional democratic principles can still provide a way for citizens at the grassroots of American life to fashion a national agenda for policymakers in Washington.

The process was divided into three stages. In the first stage, some 25,000 small-business men and women attended 57 regional field conferences and open forums held around the country. At those meetings, they aired a vast array of problems and elected local and state delegations.

The meetings produced masses of information. The second stage involved organizing that material into manageable categories and evolving potential solutions. Task forces of experts in various business fields produced a wide variety of ideas that delegates at subsequent caucuses refined into several hundred specific proposals. The final stage was the national Conference in Washington, where the

> **"The 1980 Conference may come to be regarded as the birthplace of a new political force in the nation."**

conferences and open forums were held during the year prior to August 1979 (Appendix B) and were attended by thousands of owners of small enterprises. All told, 2,110 delegates were chosen, 60% of them at these meetings. The remaining 40% were appointed by each Governor, U.S. Senator, and member of the U.S. House of Representatives, plus White House appointments recommended by the SBA and the Commissioners.

Task Forces and Caucuses

The next step was to shift the focus from identifying problems to finding solutions. To help develop the issues, the Commission early in 1979 appointed noted individuals to chair eight task forces. Those chairs in turn assembled teams of from eight to 20 knowledgeable citizens with business and government experience (Appendix C). Working with the Research staff and with participating delegates over several months, the task forces prepared what came to be known as "preliminary option papers" to orient delegate discussions at subsequent meetings.

Expert research support came from a wide variety of other sources. Small Business associations of every sort, local and regional as well as national, submitted papers and made themselves available for consultation. Professional SBA staff members commented on drafts of the option papers. The staffs of Senator Nelson's Select Committee and of the House Committee on Small Business chaired by Representative Neal Smith (D-Iowa) contributed considerable expertise. The Departments of Commerce, Treasury, and Energy, the Office of Management and Budget, the White House Domestic Policy Staff, and other agencies provided additional information.

Private companies with an interest in strengthening Small Business also supplied personnel and economic research. These included Control Data Corporation, the American Express Company, and the American Stock Exchange as well as several accounting firms, Arthur Andersen, Price Waterhouse, Coopers & Lybrand, and Peat, Marwick & Mitchell. The American Management Association and the University of Texas Graduate School of Business helped develop a way to organize the voluminous research material.

During October and November of 1979, the delegates attended 10 regional caucuses (Appendix D) to review the option papers. To provide the delegates with a working rather than a convention atmosphere, the staff worked closely with the Academy for Contemporary Problems to develop a format for the caucuses that would not only focus the delegates on specific issues but also begin to develop a spirit of unity.

Every caucus was organized into small workshops to draft proposals in each issue area (federal procurement policy, women in business, and so forth). With so many issues to cover, however, the risk was that the participants would not be able to treat all of them in an in-depth manner. Accordingly, each delegate was encouraged to concentrate on the two issues that he or she decided was of the greatest importance.

During the workshops, the delegates debated the options, proposed additions and deletions, and often introduced entirely new ideas. At the end of each session, they took a "straw vote" to select five options they considered most important. The results were then posted publicly so that everyone could see which proposals were emerging with the most support.

The Delegate Liaison staff provided the key communications link that made the caucuses work. A staff member called a Delegate Liaison Officer was assigned to each region to help delegates understand the caucus format. This format proved so successful and was endorsed so strongly by the delegations that it was later adapted, on a larger scale, as the way to organize the national conference.

With the results of the caucuses in hand, the Research staff and the task forces revised the option

The Opening Of the Conference

The mood in the Washington Hilton Ballroom at the opening plenary session on Sunday evening, January 13, was one of mounting excitement. Milton D. Stewart, Chief Counsel for the SBA's Office of Advocacy, presented the Conference rules. Commission Chairman Arthur Levitt, Jr. set the keynote theme when he told the delegates:

> Tomorrow morning, as we go to work, this great city will slowly stir itself and begin again to process the thousands of requests from Americans in all walks of life who come or call here every day, looking for help—asking government to give them something more.
>
> We, however, are here for another reason—to petition for less.
>
> We're looking for less interference and less harassment. We're looking for fewer intrusions into the freedom to run our affairs and our lives according to our own collective conscience. We are here seeking a return to the freedom and independence needed to rebuild the American free enterprise system.

"It was President Carter's first public appearance following the Soviet invasion of Afghanistan several weeks before."

The atmosphere was charged with anticipation: The rousing U.S. Naval Academy Drum & Bugle Corps, plus Secret Service men all around the perimeter of the ballroom, set the stage for President Carter's arrival. It was his first public appearance following the Soviet invasion of Afghanistan several weeks before.

Introduced by SBA Administrator A. Vernon Weaver, the President recalled his own origins as a small businessman and his frustrations on encountering the Washington bureaucracy. The President then emphasized the profound responsibility that the delegates bore in their efforts to influence public policy.

> . . . what you do here, and what you say here, and what you recommend from here should be based upon a need to pull Americans together; to consider the great human and natural resources which we enjoy; and to determine the course that we must follow in the future to give a better quality of life for all Americans, based on a common effort.

realized the only way to find solutions to their problems is to unite and participate."

As they waited for the results of the final balloting, the delegates heard thought-provoking addresses on the challenges ahead by SBA Administrator Weaver, Senator Nelson, Representative Parren Mitchell (D-Md.), and Stuart E. Eizenstat, who heads the President's Domestic Policy Staff.

Then, amid a clamor of enthusiasm, the results of the tally appeared. After 18 months of nationwide preparatory work and five strenuous days in the nation's capital, the representatives of Small Business could see their accomplishments in their final form—60 specific recommendations for Administration policymakers, including 15 top-priority proposals for urgent action, and 11 roundly-endorsed resolutions.

Before Milton Stewart brought down the final gavel, Commission Chairman Levitt summed up the week's achievements and emphasized the need for concerted, determined follow-up actions. The close of the Conference was not an end, he stressed, but a beginning. Chairman Levitt concluded:

> Take with you, as you depart, the knowledge that our deeds and efforts here are just beginning. They will survive only if we continue to fight with the same intensity, the same dedication and the same common voice we devoted to the task this week. *We have begun.*

This was the first Resolution passed by the delegates at the Conference's closing plenary session.

America's Small & Independent Business Bill of Rights

The American Dream is to be an owner of one's own business. Almost everyone has had the dream and millions of Americans have lived it. The American Dream is the cornerstone of our 200 year old American Heritage and also is the reason for our country's position as the most economically powerful nation in the world today. Could we have achieved this status as a nation if we had not been presented with opportunity unencumbered by government regulation? Could we have achieved this nation's status if entrepreneurs had not had the fortitude and shown the initiative to take advantage of opportunity when it presented itself? America was founded on the principle of each individual's fundamental rights, i.e., Freedom of Speech, Freedom of Religion, Freedom of the Press, Freedom of Assembly, Freedom to Bear Arms, etc., fundamentally, the Right to "Life, Liberty, and the Pursuit of Happiness." The Pursuit of Happiness can and does take the form of one going into business for oneself, the fulfillment of the American Dream.

Now, therefore, in consideration of the foregoing and; whereas the Small Business Community is represented by some 14 million small and independent businesses and; whereas these 14 million businesses represent 100 million people and 58% of all private sector jobs in America, and; whereas 97% of all newly created jobs in the past 7 years have been created among these 14 million small and independent businesses representing 48% of America's gross business product and; whereas 50% of all new inventions, innovations and patents are developed in the small and independent sector of American business. . . .

Therefore be it resolved that said 14 million small and independent businesses have fundamental, inalienable and constitutional rights: (1) The right to start, own, and manage a business without government interference. (2) The right to compete fairly for capital with assurance that capital will be available for private use. (3) The right to reward for the risk, effort and genius necessary to make an independent business work. (4) The right to determine price just as the buyer has the right to buy or not at that price. (5) The right to be governed by reasonable and understandable laws set forth by elected representatives, not by bureaucratic dictate. (6) The right to be innocent until proven guilty by a jury of our peers; not by administrative edict. (7) The right to equal representation with Big Business, Big Labor, and Government on matters relating to America's economic policies.

Be it resolved that America's Small and Independent Business Bill of Rights be enacted into law, and that it be used as the preamble to all recommendations emerging from this conference.

patents (as already encompassed by S.414 and S.1679); capital formation and retention; amendments to the Internal Revenue Code; and regulatory flexibility.

12. Existing Federal research and development procurement, assistance, and tax laws and policies must be modified and new laws enacted to: (1) eliminate unfair advantages enjoyed by governmental agencies, non-profit organizations and educational institutions which compete with innovative small business in providing goods and services; (2) mandate statutorily a national policy of reliance on small business; (3) prevent the Federal government from disseminating proprietary information; (4) prevent the Federal government, through the use of its own personnel including Federal Research Centers, from competing with small business.

13. Increase the amount of Federal research and development prime contracts awarded through small business set-asides by 1% per year of each agency's research and development budget, until the dollar value of the set-asides reaches at least 10% of that agency's total annual research and development budget.

14. Clarify the "prudent man rule" to broaden it and insure that securities of small issuers are not excluded from those securities eligible for purchase by funds subject to ERISA, and exempt those securities from planned asset regulation issued by the Department of Labor.

15. Institute specialized capital gains treatment for generative capital invested in technology based firms starting with 25% in the first year, decreasing by 5% per year to zero after five years and, further, defer taxation on such gains whenever the proceeds from sale of investments is reinvested into a small business within the next twelve months.

Inflation

16. Balance the Federal Budget by statute in Fiscal Year 1981 by limiting total Federal spending to a percentage of the GNP, commencing with 20% and declining to 15%.

17. Reform the Social Security System by including, where constitutionally possible, all public and private sector employees as contributors and more closely tie benefits to contributions to move the system toward actuarial soundness. Limit benefits to the original old-age and survivors benefits. Freeze the tax base and tax rate at the January, 1980 level. Eliminate double dipping.

18. Revise minimum wage standards by freezing standards at January, 1980 levels and establishing a two-tier minimum wage by exempting teenagers, seasonal workers and part-time workers.

19. Repeal the Davis-Bacon Act.

20. Provide greater incentives for savings and investment by eliminating income tax on investments and interest income up to $10,000.

Veterans in Business

21. The President shall issue an Executive Order providing for the full and effective implementation of the provisions of the Small Business Act providing for "special consideration" for veterans (Part 116, Subpart A of Title 87, United States Code, PL 93-237). To assist in carrying out the veterans "special consideration" provisions, such Executive Order shall establish within the Small Business Administration an internal Veterans' Business Committee, the majority of whose members shall be veterans and whose purpose shall be to advise and assist the SBA in the development and implementation of programs and the formulation of policies necessary and appropriate to carry out the veterans' "special consideration" provisions of the Small Business Act and regulations pertaining thereto.

Such Executive Order shall require all appropriate agencies and departments of the Federal Government which engage in business assistance activities, such as procurement authority, to provide "special consideration" to veterans in order to significantly improve the quality of assistance to veterans and to provide support to veteran-owned businesses.

22. The President should establish an Interagency Committee on veterans in business. Not more than one-third of such committee shall be non-veterans.

23. 15% of all Federal procurement contracts and 15% of all SBA Direct and Guaranteed Loan Program Funds shall be set aside for veteran applicants.

fective monitoring of performance under the Equal Credit Opportunity Act. The Small Business Administration should make bank certification available to as many commercial banks and other lenders as possible and establish targets for increasing the dollar volume of loans made to minority-owned and women-owned businesses, as one of the criteria for recertification.

37. The President should intitiate by Executive Order and Congress should enact legislation establishing mandatory goals and reporting requirements for all Federal procurements and procurements resulting from Federal funds and grants to states, localities and public and private institutions for small businesses on the basis of 50% for small businesses. The 50% shall be distributed so that 15% of all procurement shall be targeted for businesses owned by socially and economically disadvantaged persons (i.e., those businesses owned and operated by Blacks, Hispanics, Native Americans, Asian Pacific Americans and other racial minorities), and 10% of all procurement shall be targeted for women-owned businesses as defined in Executive Order 12138. And, further, that Congress should amend the Small Business Act to provide incentives to Federal prime contractors for subcontracting with women-owned businesses; provided, however, that such an act does not include women-owned businesses as a category or class of socially and economically disadvantaged small business.

38. The Small Business Administration should identify existing public and private management training programs, evaluate their effectiveness for women entrepreneurs and increase funding to those found to be effective.

39. Evaluate all Federal government employees in positions which impact on women and minorities, particularly loan officers, procurement officers and management assistance officers, in part on the basis of their performance on behalf of women and minorities.

40. The Small Business Administration shall establish a bonding program that permits the waiver of bonding requirements for Federal contractors who are small business owners. This program shall be available to all small business owners who have been: (1) unable to obtain bonding from any other source; and (2) certified as competent by the SBA.

Government Regulations and Paperwork

41. Congress shall exercise its oversight function with the assistance of the General Accounting Office, instituting sunset reviews of all laws, regulations, and agencies, to ensure that none exceeds original congressional intent. Sunset reviews, in an appropriate time frame (not less than every five years), should include economic impact analysis and proposed agency budget reductions, leading to re-enactment of each agency's enabling legislation to permit its continued existence, or to reduce its size and cost.

(a) Establish a Regulatory Review Board composed of representatives from the Executive Branch, Congress and small business owners, with responsibility for impact statements and cost controls.

(b) Congress shall exercise line-item veto over regulations within a specified time through congressional oversight committees, with one-house floor vote.

42. Small business should be eligible for magistrate review of agency civil penalties, and reimbursed for court costs, reasonable attorney's fees, and damages from administrative action, if successful in civil disputes with the Federal Government, including IRS.

(a) Such costs and fees to come from the operating budget of the agency.

(b) Magistrates will be appointed and be responsible to the judges in each Federal Judicial District.

(c) With burden of proof on the agency to defend its action.

43. The Office of Management and Budget should be designated the lead agency for both Federal regulations and paperwork of all agencies and programs (specifically including IRS), with responsibility for forms clearance, paperwork reduction, simplification and elimination; coordinating regulations and cost control oversight; requiring agencies to submit to OMB an economic analysis measuring administrative and compliance costs, particularly for small business, of all proposed regulations and paperwork.

44. All Federal agencies should have the power to implement a tiered system of regulation. This should include the power to minimize and exempt

International Trade

51. Congress should broaden the tax deferral options of the Domestic International Sales Corporation and provide for the development of an American Trading Company which would automatically qualify as a DISC. Tax deferral options should include the following additional provisions for DISCs: (1) allow for deduction of twice the monies expended for participation in any bona fide overseas trade fair by a DISC; (2) allow for deduction of twice the amount of premiums paid to Eximbank and FCIA, as legal deductions prior to payment of DISC taxes; (3) increase the $100,000 exemption clause to $500,000; (4) provide for a graduated tax on "deemed distribution" from $500,000 for $50 million, and a standard rate of 50% levied on over $50 million; (5) exempt new DISCs from any "deemed distribution" requirement for at least the first three years of operation; and (6) provide for the elimination of existing incremental provision of DISC regulations. Congress should provide within the tax structure an "Exporter's Allowance" or tax deduction which would apply in the trade of all goods abroad by granting an allowance for 75% of the marketing expenditures incurred by the exporter.

52. Eximbank should establish a special small business funding program through commercial banks, and should consider discounting loans to support international sales and should develop a cooperative program with the SBA for pre-export financing.

53. The Federal government should establish field one-stop service shops to include export services of all Federal agencies under the guidance of the Department of Commerce.

54. The President and Congress should consolidate under an existing cabinet level department, a unified world trade administration. It would be responsible for all trade policy functions of the various agencies and departments. Its objective would be to maximize the international competitive strengths of U.S. Small Business with support and goals for minority, women-owned and disadvantaged business and specific programs developed to utilize their units of technological, educational, cultural, language and political expertise.

55. Congress should provide for support and expand the use of all officially recognized Trade Fairs, Exhibits, and Trade Centers abroad with small business participation; continue to encourage the Department of Commerce to increase the promotion of foreign buyer and foreign visitor travel to the United States; and develop a program utilizing the cultural, language and political expertise of all Americans, especially ethnic groups, to assist in preparing, implementing and utilizing a sales package for use in expanding International Trade in all world markets.

Education, Training, and Assistance

56. A Small Business Educational Task Force for entrepreneurial educational training shall be appointed by the President and coordinated by the Office of Advocacy. Task Force members shall come primarily from small business to initiate, promote and develop the incentives for demographically projectionable, formal, business planning and case history-type continuing education and public awareness (through all media) in small business. Mandate to the Task Force shall be to come up with self-liquidating (pay for themselves) programs for the benefit of small business. This should be achieved within 120 days.

57. The Small Business Administration's management assistance program should be strengthened and expanded by allocating a greater portion of the Agency's total resources to reflect an increased emphasis on management assistance rather than the traditional emphasis on financial assistance.

58. A National Policy should be established for the support of entrepreneurial education and training, continuing education and management assistance, provided by the public and private sector, as an opportunity for every American who wishes to own his or her small business and should receive recognition as a priority from the highest levels of government

59. Establish "One-Stop Shops" under the coordination of SBA for small business assistance programs utilizing effective information systems and management assistance programs to serve the small business community on the local level, with primary implementation occurring through the pri-

ence of that function of the Office of Advocacy must be protected so that it may continue to have the confidence of the small business community. SBA's Advocacy budget should be devoted to economic research and analysis, as well as small business advocacy. Small business advocates, under the direct supervision of the SBA Office of Advocacy, shall be assigned to OMB, Federal Reserve Board, Treasury, International Trade Policy Committee and other regulatory agencies.

36. (578 votes) Private lending institutions should be required to provide equal access to commercial credit for women in business. The Federal Reserve Board should establish record keeping requirements for commercial loans to women which will permit effective monitoring of performance under the Equal Credit Opportunity Act. The Small Business Administration should make bank certification available to as many commercial banks and other lenders as possible and establish targets for increasing the dollar volume of loans made to minority-owned and women-owned businesses, as one of the criteria for recertification.

42. (564 votes) Small business should be eligible for magistrate review of agency civil penalties, and reimbursed for court costs, reasonable attorney's fees, and damages from administrative action, if successful in civil disputes with the Federal Government, including IRS.

(a) Such costs and fees to come from the operating budget of the agency.

(b) Magistrates will be appointed and be responsible to the judges in each Federal Judicial District.

(c) With burden of proof on the agency to defend its action.

18. (553 votes) Revise minimum wage standards by freezing standards at January, 1980 levels and establishing a two-tier minimum wage by exempting teenagers, seasonal workers and part-time workers.

6. (472 votes) The President, by Executive Order, and Congress, by legislation, shall establish mandatory goals for *all* Federal procurements and Federal funds or grants to states, localities, and public and private institutions, on a contract-by-contract or agency-wide basis for small businesses (35%); minority-owned (Black, Hispanic, Native American, Asian Pacific American, and other racial minorities) businesses (15%); and women in business (10%).

46. (471 votes) Require that all government agencies which develop fiscal, monetary, legislative and regulatory policies/practices shall submit small business "economic impact" statements that require the regulatory agencies to identify the anticipated benefits and to justify the costs of Federal regulatory requirements to small business. In addition, all regulatory policies shall be subject to sunset provisions to be reviewed every 5 years in order to ensure that only cost effective regulations shall be maintained and retained in the future.

The 11 Conference Resolutions

Resolution 1

America's Small and Independent Bill of Rights

The American Dream is to be an owner of one's own business. Almost everyone has had the dream and millions of Americans have lived it. The American Dream is the cornerstone of our 200 year old American Heritage and also is the reason for our country's position as the most economically powerful nation in the world today. Could we have achieved this status as a nation if we had not been presented with opportunity unencumbered by government regulation? Could we have achieved this nation's status if entrepreneurs had not had the fortitude and shown the initiative to take advantage of opportunity when it presented itself? America was founded on the principle of each individual's fundamental rights, i.e., Freedom of Speech, Freedom of Religion, Freedom of the Press, Freedom of Assembly, Freedom to Bear Arms, etc., fundamentally, the Right to "Life, Liberty, and the Pursuit of Happiness." The Pursuit of Happiness can and does take the form of one going into business for oneself, the fulfillment of the American Dream.

Resolution 5

Be it resolved that: Small business records its appreciation to Senator Gaylord Nelson of Wisconsin, Chairman of the Senate Select Committee on Small Business; Congressman Neal Smith of Iowa, Chairman, House Committee on Small Business; Arthur Levitt, Jr., Chairman of the White House Commission on Small Business; the Commissioners; A. Vernon Weaver, Administrator of the Small Business Administration; and Milton D. Stewart, the first Chief Counsel for Advocacy of the Small Business Administration; the White House Conference staff; and all commercial concerns and individuals who have significantly contributed in any name, particularly those who have contributed delegate liaison staff, for their efforts on behalf of small business and their recognition of the importance of small business to the economic strength and spirit of America, and urges them to continue the work of this Conference.

Resolution 6

Whereas the precedent for comprehensive documentation of all proceedings in an official document is important to the White House Conference on Small Business; therefore, be it resolved that the undersigned duly elected and appointed delegates do hereby request that all proceedings including the Opening Session, Special Discussions, Open Forum, New Options presented in workshops and all other options heretofore considered by the delegates, as well as the Closing Session, be documented and entitled the "Supplemental Report of the White House Conference on Small Business."

Resolution 7

Be it resolved that the President and the Congress of the United States treat as matters of the highest national priority the recommendations of this Conference, with specific emphasis on the bills presently pending in Congress, which carry out these concerns wherever possible.

Resolution 8

Resolved: That in order to implement the results of the White House Conference on Small Business, it is mandatory that "Small Business" be defined by this Conference and that such definition accompany the recommendations to the President; and further, such definition of "Small Business" shall be:

A. A Small Business is one that is independently-owned and operated, and the number of employees shall be the criteria for defining Small Business;

B. That Employees are defined as those working 1800 hours or more per year; and

C. To facilitate "flexible regulations by government," a further classification of Small Business shall be as follows:

Class	No. Employees
A	0 to 9
B	10 to 49
C	50 to 249
D	250 to 499

Resolution 9

Whereas all delegates attending the regional and state meetings of the White House Conference on Small Business were distinctly advised that they would be responsible for all of their own expenses for all meetings attended; and whereas all delegates agreed to this condition; and whereas a part of this Conference was directed to the reduction of federal spending;

Be it resolved: That this Conference go on record as being unalterably opposed to the Federal Government's reimbursing delegates in any fashion for any expenses incurred for the attendance at this Conference.

Resolution 10

Whereas, Hawaii and other U.S. Pacific islands have experienced severe economic dislocations affecting the total population in prior instances of maritime and longshore strikes that tied up West Coast ports. The most recent significant experience was 175 days of interrupted shipping service from July 1, 1971 to December 2, 1972.

Whereas, Hawaii is the only state in the nation limited to two forms of ingress and egress: ocean

3
ANALYSIS OF THE 60 RECOMMENDATIONS

outside capital and to create capital through retained earnings.

Ideally, a small business should have a variety of financing alternatives readily available to meet different needs at various stages in its economic life cycle. On the equity side, start-up capital usually comes from the entrepreneur's savings and "sweat equity" or from friends and relatives. Later, a young company might require venture capital from minority investors, Small Business Investment Companies, and the like. Eventually, the company may raise equity capital by selling shares through a public offering.

On the debt side, commercial banks and finance companies provide both short-term loans to finance inventories and accounts receivable and intermediate-term loans to buy equipment. Banks and savings-and-loan companies provide long-term debt money mostly by taking mortgages. Life insurance companies, a familiar source of long-term capital for big companies, rarely lend to small businesses.

Federal tax policy is the single most important instrument for encouraging or discouraging the flow of capital to small businesses. Taxes both on business income and on capital gains, for example, influence where investors choose to place their money.

"Federal tax policy is the single most important instrument for encouraging or discouraging the flow of capital to small businesses."

Confronting these problems, the delegates considered 25 proposals that ranged from indexing the tax schedule for inflation to eliminating double taxation of dividends. Among the options were measures to scale down the capital gains tax rate according to the number of years that an asset is owned; to raise the ceiling on untaxed accumulated earnings from $100,000 to $500,000; and to simplify the LIFO (last-in-first-out) method of accounting for inventories to help small businesses reduce taxes on artificially inflated inventory profits.

The delegates debated applying the 10% investment tax credit equally to used as well as new property, and they discussed clarifying the "prudent man rule" that in the past has discouraged managers of such large investment pools as pension funds and employee benefit plans from investing in small ventures. They also considered a tax credit for creating new jobs, a 90% SBA guarantee for small-business revenue bonds, and ways that commercial banks could pool small-business loans to sell them in secondary markets.

There was so much interest in capital problems that the delegates would unquestionably have voted several of these proposals among their top recommendations if the Conference rules had not required

sell their interests and defer taxes if they reinvested in another small business within a given period of time.

Roll-over provisions for small businesses are included in four bills in the House and two in the Senate. A tax credit for initial investment is a feature of H.R.3975, S.655, S.487, and S.3975. A reduction in capital gains taxes specifically to help small companies is included in S.2221.

Recommendation 5: *Provide tax incentives in the form of a new security called a Small Business Participating Debenture (SBPD) to provide a source of capital for small businesses.*

This recommendation embodies a wholly new financing concept and scored ninth in delegate voting. The complexities of Small Business Participating Debentures are explained on page 28. Essentially, SBPDs would be debt instruments, similar to bonds, whose yields would rise in relation to a small company's profits, similar to dividends.

The tax changes necessary to create SBPDs are included in S.1481.

"Inflation has pushed replacement costs so far beyond historical costs that traditional capital recovery schedules are now inadequate."

Minority Business Development

Two decades since the beginning of the civil rights movement, economic self-determination still seems unattainable to many Black, Hispanic, Asian and Pacific American, Native American, and members of other U.S. racial minorities. Since 1970, the economic gaps between minority and non-minority groups have been widened. White families had a median income of $10,694 in 1969, for example, while the median for Black families was $6,837. By 1978, the median for white families had risen 72% to $18,368, but Black family income rose only 59% to $10,879.[41]

Minority businesses are concentrated in low-growth and low-margin industries such as retail trade, services, and nonindustrial construction. According to the Lowry Report, a 1979 study prepared for the Commerce Department by James H. Lowry & Associates, 60% of minority-owned companies are in retail or service sectors. Only 28.5% of minority enterprises are in high-growth sectors

> **The delegates' final recommendations combined numerous options and focused heavily on mandating percentage goals for federal procurement and grant dollars.**

> **Minority contractors are denied public construction contracts because they cannot obtain surety bonds and are denied bonds because they have not performed contracts.**

special federal insurance program for minority businesses in financial difficulties, and a uniform definition of minority business for government programs in general.

Their five final recommendations combined numerous options and focused heavily on mandating specific percentage goals for federal monies to go to small, minority, and women-owned businesses.

Recommendation 6: *The President, by Executive Order, and Congress, by legislation, shall establish mandatory goals for all Federal procurements and Federal funds or grants to states, localities, and public and private institutions, on a contract-by-contract or agency-wide basis for small businesses (35%); minority-owned (Black, Hispanic, Native American, Asian Pacific American, and other racial minorities) business (15%); and women in business (10%).*

This recommendation received the most votes of the Minority Business Development proposals and finished fourteenth among the delegates' 15 top-priority measures.

It would involve three basic changes in either the Small Business Act or the Federal Procurement Policy Act, or both. One would be to include federal grants to states and municipalities under present procurement regulations. Another would be to give women-owned businesses a share in federal procurement and grant monies. The third would be to establish mandatory goals, a measure also included in Recommendations 23, 26, 30, and 37. Further details on this recommendation are supplied on page 34.

Two bills involving these matters are currently before the House, H.R.2447 and H.R.2836. A constitutional question, however, looms over the issue of mandated quotas. This may be resolved by *Fuller v. Love* currently before the U.S. Supreme Court, a case that challenges the 10% quota for minority participation set out in the Public Works bill.

"SBICs and MESBICs in recent years have tended to relend their money to small companies at higher interest rates instead of investing in equity."

In the delegates' view, the above recommendation would add substance to the intent of the law by requiring a description identifying each item to be subcontracted on the assembly, subassembly, and component levels. Also, the SBA Administrator currently is responsible for negotiating goals with the heads of departments and agencies. The delegates recommend shifting that responsibility, along with well-defined enforcement powers, to an associate administrator who could devote more time and effort to the role.

The President recently sent a memorandum urging all department heads to implement the spirit as well as the letter of the law.

Recommendation 9: *Congress shall (1) adopt a SBIC and MESBIC Investment Tax Credit Act to provide a 50% tax credit for corporations and individuals who invest in any issue of equity securities of SBICs and licensed MESBICs; and (2) authorize MESBICs to borrow long-term loans from the Federal Financing Bank at subsidized interest rates.*

The purpose of this recommendation is to attract more money to Small Business Investment Companies (SBICs) and Minority Enterprise Small Business Investment Companies (MESBICs), which in turn invest in small and new businesses. The concept behind employing a tax credit to stimulate equity investment in today's capital markets is described on page 28.

Also of great concern to the delegates is the debt/equity ratios of companies in which SBICs and MESBICs invest. Because most SBIC and MESBIC funds are borrowed, these vehicles find it difficult to invest in equity, which provides no current return to cover the cost of the loans. Thus SBICs and MESBICs in recent years have tended to relend their money to small companies at higher interest rates. Of $32 million invested by MESBICs in 1978, for example, $17 million was in the form of straight debt, and another $14 million was in the form of debt with equity.[47] The delegates feel that a tax credit for equity investments in SBICs and MESBICs would provide more interest-free funds to purchase small companies' shares and thereby reduce their debt/equity ratios.

Giving MESBICs access to the Federal Financing Bank would open up a new source of capital for MESBICs and put them more on a par with SBICs.

Recommendation 10: *The President, by Executive Order, or Congress, by legislation, shall establish a National Minority Economic Commission to provide a centralized focus to the Federal effort to assist minority business enterprise. This Commission, a majority of which shall consist of non-government contractors, shall report directly to the President.*

As conceived at the Conference, a National Minority Economic Commission would consist of 25 commissioners representing Blacks, Hispanics, Native Americans, Asian and Pacific Americans, and other racial minorities. If adopted, the measure might require reorganizing existing programs at the SBA and at the Minority Business Development Administration. An alternative would be to strengthen the Interagency Council for Minority Business Enterprise, which already performs many of the functions of the proposed Commission.

Recommendation 11: *Support and urge passage of S.1860, the Small Business Innovation Act of 1979, and companion bill H.R.5607, as presently drafted with flexibility for minor future amendments, covering: small business research and development set-asides; small business innovation and research programs (as already encompassed by H.R.5126 and S.1074); patents (as already encompassed by S.414 and S.1679), capital formation & retention; amendments to the Internal Revenue Code; and regulatory flexibility.*

As the delegates' omnibus innovation proposal, this recommendation won broad support and was voted the sixth most important among the Conference's top 15 measures.

Both S.1860 and its companion bill would amend the Small Business Act. They also would require changes in the tax code and patent laws, and they would provide for regulatory flexibility. Thus the bills must be considered by three committees in each house—the Judiciary as well as the Finance and Small Business Committees in the Senate, and the Judiciary, Small Business, and Ways and Means Committees in the House. As a result, compromises could delay passage or split the bills into smaller legislative packages.

Recommendation 12: *Existing Federal research and development procurement, assistance, and tax laws and policies must be modified and new laws enacted to: (1) eliminate unfair advantages enjoyed by governmental agencies, non-profit organizations and educational institutions which compete with innovative small business in providing goods and services; (2) mandate statutorily a national policy of reliance on small business; (3) prevent the Federal government from disseminating proprietary information; and (4) prevent the Federal government, through the use of its own personnel including Federal Research Centers, from competing with small business.*

Although different in spirit and approach, this recommendation addresses issues encompassed by Recommendation 11. Its support at the Conference came largely from delegates who feel that too many federal research contracts are awarded to universities, foundations, and government itself. The SBIR program at the heart of S.1860, including changes in patent laws, could alleviate many of the competitive problems by promoting small-business research. No other legislation dealing with this issue is pending.

Recommendation 13: *Increase the amount of Federal research and development prime contracts awarded through small business set-asides by one percent per year of each agency's research and development budget, until the dollar value of the set-asides reaches at least ten percent of that agency's total annual research and development budget.*

Underlying this recommendation is a widespread belief, shared by minorities, women, and veterans, that only specific percentage goals will prompt federal agencies to award contracts to small companies. Set-asides are also proposed in Recommendations 11 and 31.

The recommendation above would require an Executive Order to executive agencies and new legislation for independent agencies. The President has already directed executive agencies not to exclude small businesses unfairly from competing for contracts. Currently, these agencies must publicize bidding opportunities and report to the Office of Management and Budget on each year's progress toward increasing small companies' share of R&D dollars. The agencies are not, however, compelled to meet any specific targets.

Recommendation 14: *Clarify the "prudent man rule" to broaden it and insure that securities of small issuers are not excluded from those securities eligible for purchase by funds subject to ERISA, and exempt those securities from planned asset regulation issued by the Department of Labor.*

reviewing the 1981 budget and trying to bring it into balance.

Recommendation 17: *Reform the Social Security System by including, where constitutionally possible, all public and private sector employees as contributors and more closely tie benefits to contributions to move the system toward actuarial soundness. Limit benefits to the original old-age and survivors benefits. Freeze the tax base and tax rate at the January 1980 level. Eliminate double dipping.*

This recommendation ranked eighth among the 15 top-priority measures. The subject is of particular concern to small-business people because their companies are usually labor intensive, and payroll taxes represent a heavy cost over which small-business owners have no control.

The object of PL 95-216, enacted in 1977, was to make the Social Security system fiscally sound, and to do it more by increasing rates rather than by reducing benefits. The Conference recommendation strives to do both. A major aim of the delegates is to include federal workers who are not presently required to contribute to Social Security. A prohibition against "double-dipping" would require people who simultaneously collect benefits from Social Security and another retirement program to chose between the two, thus reducing the drain on Social Security revenues.

The recommendation would require amendments both to the Social Security and to the 1954 Internal Revenue Code. Moreover, a recent study by a congressional commission recommends that public employees be brought into the Social Security system.

Recommendation 18: *Revise minimum wage standards by freezing standards at January, 1980 levels and establishing a two-tier minimum wage by exempting teenagers, seasonal workers and part-time workers.*

Thirteenth in the Conference voting, this recommendation addresses an issue discussed on page 20. It would require an amendment to the 1938 Fair Labor Standards Act. The most recent amendments, in 1977, raised the minimum wage rate to $3.10 per hour and calls for an increase to $3.35 per hour on January 1, 1981.

Bills to change the minimum wage must go through the House Education and Labor Committee and the Senate Labor Committee. Any attempts to

"By and large, delegates in the Inflation workshops concentrated on measures that they felt would benefit the nation as a whole."

ernment and in many instances suffered disabilities, Vietnam-era veterans feel the government should provide them with special assistance in return.

No figures are available on how many disabled or Vietnam veterans have started businesses of their own. But some 9 million Americans, or 29% of the nation's total veteran population, served during the Vietnam years from 1964 to 1975. Roughly 14% are Blacks and Hispanics, and more than 500,000 are disabled, or 20% of the total 2.5 million disabled veterans in the country.[48]

The Small Business Act of 1975 (PL 93-237) requires the SBA to give "special consideration" to veterans. The delegates who participated in the Conference workshops on Veterans in Business felt, however, that few attempts have been made by the SBA or by the Commerce and Labor Departments, the Veterans Administration, or the General Services Administration to counsel veterans on starting and owning small businesses.

The delegates emphasized that disabled veterans have the greatest need for assistance, followed by Vietnam veterans in general. They discussed a wide variety of measures to focus SBA programs on veterans' unique problems. As their final recommendations indicate, they were also concerned about receiving more federal procurement contracts and about including disabled and Vietnam veterans under all legislation and agency regulations that apply to "socially and economically disadvantaged" groups.

Recommendation 21: *The President shall issue an Executive Order providing for the full and effective implementation of the provisions of the Small Business Act providing for "special consideration" for veterans (Part 116, Subpart A of Title 87, United States Code, PL 93-237). To assist in carrying out the veterans "special consideration" provisions, such Executive Order shall establish within the Small Business Administration an internal Veterans' Business Committee, the majority of whose members shall be veterans and whose purpose shall be to advise and assist the SBA in the development and implementation of programs and the formulation of policies necessary and appropriate to carry out the veterans' "special consideration" provisions of the Small Business Act and regulations pertaining thereto.*

Such Executive Order shall require all appropriate agencies and departments of the Federal Government which engage in business assistance activities, such as procurement authority, to provide "special consideration" to veterans in order to significantly improve the quality of assistance to veterans and to provide support to veteran-owned businesses.

This proposal, the veterans' omnibus recommendation, received the most votes of the five selected by the veterans' workshops. It has three aims—to implement veterans' benefits mandated by PL 93-237, to create a veterans committee within the SBA, and to require other federal agencies to assist veterans, especially in procurement areas.

The SBA has recently taken action under PL 93-237's veterans provisions. It has 475 veteran-owned companies on its computerized Procurement Automated Source System (PASS), which matches procuring officials' needs with small companies' capabilities.[49] And the White House recently appointed the SBA to the White House Veterans Federal Coordinating Committee.

Recommendation 22: *The President should establish an Interagency Committee on veterans in business. Not more than one third of such committee shall be non-veterans.*

As the delegates envisioned it, such an Interagency Committee would include officials from the SBA, the Veterans Administration, and the Office of Federal Procurement Policy as well as Commerce, Agriculture, Defense, Education, Labor, and other departments. It would meet at least four times per year to review federal efforts for veterans in business and would make recommendations to officials on how to improve veterans programs.

Its chief difference from the White House Veterans Federal Coordinating Committee would be that at least two-thirds of its members would be veterans.

Recommendation 23: *15% of all Federal Procurement contracts and 15% of all SBA Direct and Guaranteed Loan Program Funds shall be set aside for veteran applicants. The SBA shall be responsible for utilizing the Procurement Automatic Source System (PASS) and other Federal Procurement source listings to implement veterans' set-asides.*

This recommendation promulgates set-aside goals in two areas, SBA loans and federal procurements. The 15% level is only slightly higher than the proportion of veterans in the U.S. population, which is about 13.6%. For the second half of 1980,

Recommendation 26: *The Federal Government shall be required by statute to contract out to small business those supplies and services that the private sector can provide. The government should not compete with the private sector by accomplishing these efforts with its own or non-profit personnel and facilities. Small business generally—50% which shall include the following: minority-owned businesses 15%, business owned by women 10%.*

This recommendation is substantially the same as Recommendation 6, 30, and 37, except that it does not apply to federal grants to states and municipalities. Instead, it reflects the delegates' opinion that government itself, as well as nonprofit organizations, should not compete against small companies in providing supplies and services.

Recommendation 27: *Procurement agencies should break down large requirements (including those for research and development) into smaller parts where feasible to permit solicitation from, and award to, small businesses.*

Current regulations call for a "breakout" of procurement items that small companies could provide. But these regulations are not being fully implemented and enforced. One stumbling block is insufficient technical and engineering expertise among the procuring agencies' own small-business representatives, who are not always able to perceive which contracts would be appropriate for small contractors. The SBA's new PASS system could improve this situation significantly.

Recommendation 28: *The Federal Government should contract out supplies and services to private industry (particularly small and minority business) and should not compete with the private sector either through the use of its own personnel or through non-profit organizations such as the Federal Research Centers, educational institutions or other non-profit entities.*

This proposal is an elaboration of the second principle included in Recommendation 26 above.

Recommendation 29: *The Office of Federal Procurement Policy should develop a new set of procurement regulations applicable to procurements under a special amount from all businesses. This "second-tier" regulation should eliminate clauses, procedures, reporting requirements, etc., applicable to large systems procurement which are currently imposed on small businesses, as well; and to the extent possible, apply to subcontracts with small businesses.*

The "second-tier" concept in this proposal is virtually identical to the "tiering" principle embodied in Recommendations 44 and 45 produced by the workshops on Government Regulations and Paperwork, and also implied in Recommendation 46 from the workshops on

covered electricity, individual entrepreneurs have invented the rotary drilling bit, the petroleum refining process, gasoline, air conditioning, and the electric transformer, among other examples.

Delegates in the energy workshops viewed the energy crisis as due less to fuel shortages than to strategic mismanagement of supplies, and they expressed more concern about having reliable supplies than about rising prices.

They discussed ways to simplify and reduce regulation of small companies, measures to make government information more readily available, and divestiture of gasoline service stations by big oil companies. But by and large they focused on broad issues in the national interest, specifically on government planning and the administration of policies to make the U.S. self-sufficient in energy as soon as possible. To this end, the delegates emphasized strongly that small companies should play a greater role in energy exploration, production, and research.

Recommendation 31: *The Federal Government should open public lands to energy exploration and production under regulations which provide reasonable environmental protection, with:*

(a) a 30% small business set-aside

(b) fixed time limits for statutory environmental analysis

(c) a 5-year limit on lease terms to encourage rapid development.

"Delegates viewed the energy crisis as due less to fuel shortages than to strategic mismanagement of supplies."

The concept behind this recommendation is based on estimates that most of the undiscovered fossil fuels in the U.S. lie beneath public lands. A set-aside for small companies is a principle also included in Recommendations 11 and 13 regarding federal research-and-development funds.

Item (b) reflects the delegates' belief that the Department of Interior has taken undue time to complete environmental studies mandated by the Wilderness Act and the Federal Land Policy and Management Act, both of 1976. A time limit on leases is a measure used in other nations to prevent large companies from gaining control of federal lands and letting them lie undeveloped.

These measures would require amendments to the two 1976 acts mentioned above.

Recommendation 32: *Government must use any new tax income from energy production and development for the future production and development*

bers of women are choosing to face these obstacles and start businesses of their own.

Acknowledging the potential of women-owned businesses, the President in May 1979 signed Executive Order 12138 establishing a new policy to aid women, which is being overseen by an Interagency Committee on Women's Business Enterprise.

Subsequently, the President created the new SBA position of Associate Administrator for Women's Business Enterprise.

The new policy has touched off a series of government initiatives. For instance, the SBA targeted $50 million in direct loans to women applicants in 1980 and also set up a program offering women mini-loans of less than $20,000 under flexible terms. The Commerce Department's Economic Development Administration, the Agriculture Department's Farmers Home Administration, and the Federal Home Loan Bank Board have all initiated programs to increase credit for women in business.

In addition, the SBA and several other agencies are developing management and technical assistance programs for women, and both the SBA and the Office of Federal Procurement Policy have taken steps to bring more women-owned businesses into the procurement process.

At the Conference, the delegates considered more than 35 measures, ranging from government guarantees for private venture-capital funds for women's businesses (similar to SBICs and MESBICs), to ways to persuade private industry to contract with women-owned businesses. They discussed measures to include more women in the SBA's Small Business Development Center program and in its Procurement Automated Source System (PASS). And they debated recommending a legislative amendment to include women under the procurement provisions of PL 95-507.

Their final choices focused on credit, procurement, training, bonding, and the performance of federal employees on behalf of women.

Recommendation 36: *Private lending institutions should be required to provide equal access to commercial credit for women in business. The Federal Reserve Board should establish record keeping requirements for commercial loans to women which will permit effective monitoring of performance under the Equal Credit Opportunity Act. The Small Business Administration should make bank certification available to as many commercial banks and other lenders as possible and establish targets for increasing the dollar volume of loans made to minority-owned and women-owned businesses, as one of the criteria for recertification.*

This recommendation finished eleventh on the delegates' top-15 list. Because the Equal Credit Opportunity Act of 1974 already prohibits lending discrimination on the basis of sex, the proposal actually has only two components that would require changes.

One would oblige banks to keep records on business loans that could be monitored to see whether women-owned companies are being treated fairly (page 36). This could be done by Federal Reserve administrative action or by congressional legislation. No current legislative proposals address this issue.

The second component deals with an SBA pilot program—the "bank certification program"—to let banks take over the responsibility of evaluating potential borrowers. The measure is designed to cut down paperwork now duplicated by the SBA and the banks and to speed up the process of obtaining SBA-guaranteed loans. Women are worried, however, that banks will be less inclined than SBA to grant them loans. The difficulty is that establishing targets and monitoring them tends to create more of the paperwork and bureaucratic slowdowns that the bank certification program is intended to reduce.

Recommendation 37: *The President should initiate by Executive Order and Congress should enact legislation establishing mandatory goals and reporting requirements for all Federal procurements and procurements resulting from Federal funds and grants to states, localities and public and private institutions for small businesses on the basis of 50% for small businesses. The 50% shall be distributed so that 15% of all procurements shall be targeted for businesses owned by socially and economically disadvantaged persons (i.e., those businesses owned and operated by Blacks, Hispanics, Native Americans, Asian Pacific Americans and other racial minorities), and 10% of all procurement shall be targeted for women-owned businesses as defined in Executive Order 12138. And, further, that Congress should amend the Small Business Act to provide incentives to Federal prime contractors for subcontracting with women-owned businesses; provided, however, that such an act does not include women-owned businesses as a category or class of socially and economically disadvantaged small business.*

panies' concerns and to suggest changes and simplifications in tax forms. And the Securities and Exchange Commission has set up an Office of Small Business Policy to alter compliance standards originally directed at large companies.

The delegates' chief interest was making government more sensitive to the impact of regulations on small businesses. The principal themes in the workshops concerned better management and oversight of regulatory agencies, thorough-going economic analysis of the effect of regulations, and ways to add flexibility to regulations and reporting requirements for small businesses.

Delegates raised questions about which government body—Congress, an executive agency, or some sort of review board—should have overall responsibility for controlling regulations. They also discussed how agencies could provide more timely information about pending rules to give small enterprises more chance to comment, or even to help develop rules and forms directly. And they talked about measures to give small companies some relief in the costly, time-consuming process of adjudicating disputes with regulators.

Recommendation 41: *Congress shall exercise its oversight function with the assistance of the General Accounting Office, instituting sunset reviews of all laws, regulations, and agencies, to ensure that none exceeds original congressional intent. Sunset review, in an appropriate time frame (not less than every five years) should include economic impact analysis and proposed agency budget reductions, leading to re-enactment of each agency's enabling legislation to permit its continued existence, or to reduce its size and cost.*

(a) Establish a Regulatory Review Board composed of representatives from the Executive Branch, Congress and small business owners, with responsibility for impact statements and cost controls.

(b) Congress shall exercise line-item veto over regulations within a specified time through congressional oversight committees, with one-house floor vote.

This recommendation ranked fifth on the delegates' final ballots. Its clear message is that Congress should assume additional responsibility to make sure that agencies adhere to the intent of legislation. The proposal combines several measures.

"Sunset review" of laws, regulations, and agencies, with the aim of eliminating as many as possible, is encompassed in several legislative bills, including H.R.5858, S.262, and S.2147, the latest version of an omnibus regulatory reform bill. Legislation would apply to congressionally-created independent agencies.

Also, sunset review already is included in two Executive Orders, 12044 and 12174, which apply to Cabinet departments and executive agencies (such as the SBA and the Environmental Protection Agency).

Provisions for a Regulatory Board are in congressional bills, but not for a board that would include small-business owners.

Proposal (b), which would permit Congress to veto regulations on the strength of a floor vote in either the House or the Senate, is a politically controversial issue. It raises complex constitutional questions, for it might alter traditional checks and balances among the executive, legislative, and judicial branches of government.

"Rules and forms have become such a headache even to government itself that hundreds of proposals have emerged to cut back the workload."

Recommendation 45: *When developing rules, forms and guidelines, regulatory agencies must consult with small business representatives from affected industries and advocates assigned to each agency.*

(a) Consult SBA Office of Advocacy and small business trade associations who should be given sufficient authority and time (90-180 days prior to publication of notice of proposed rule-making) to influence regulators if a proposed rule and/or form would have an impact on small business.

(b) Such proposed rules should reflect less formal administrative procedures for small business.

(c) Agencies make available timely information and assistance, within 30 days in writing.

This is the delegates' proposal to play a greater role in the formulation of regulations and reporting requirements. The concepts are generally covered in the omnibus S.2147; however, 60 days is the period most likely to be established. Small businesses need far more advocacy in government activities that affect them, and it is crucial that pertinent information be adequately disseminated in time for small companies to comment on proposed rules.

Economic Policy and Government Programs

Economic policy is principally fashioned by the President's Economic Policy Group, the Federal Reserve Board, and Congress. For several decades, the thinking underlying policy has emphasized macroeconomic measures to stimulate giant corporations and consumer buying—measures that appear increasingly outdated (page 10). Policymakers have neglected Small Business, partly because small-business owners did not perceive themselves to be a cohesive, identifiable constituency with common interests. Accordingly, they did not trouble to make their views known in national policymaking circles.

The 1980 White House Conference on Small Business has proved to be a dramatic turning point in this regard. Not only did the Conference delegates express their concerns; they also transformed those concerns into constructive proposals for federal action. Small-business people are now determined to develop regular channels for ventilating their opinions in Washington.

> **"Small-business people are determined to develop regular channels for ventilating their opinions in Washington."**

In the Conference workshops on Economic Policy and Government Programs, delegates focused on ways to elevate the SBA to levels of greater power within the federal hierarchy, to strengthen the SBA's Office of Advocacy, and to get small-business advocates assigned to federal agencies. They emphasized the need for impact statements demonstrating the effects of economic and regulatory policies on small businesses. They also stressed that antitrust laws should be strengthened and that government programs for small businesses be consolidated and streamlined.

Recommendation 46: *Require that all government agencies which develop fiscal, monetary, legislative and regulatory policies/practices shall submit small business "economic impact" statements that require the regulatory agencies to identify the anticipated benefits and to justify the costs of Federal regulatory requirements to small business. In addition, all regulatory policies shall be subject to sunset provisions to be reviewed every 5 years in order to insure that only cost effective regulations shall be maintained and retained in the future.*

The delegates made this proposal number 15 in their selection of measures for immediate attention. It calls for economic impact statements and sunset review of regulation, as well as implying tiered regulation, all of which dovetails with Recommendations 41, 44, and 45 from the Government Regulations and Paperwork workshops.

As with those proposals, many of this recommendation's features are already covered by Executive Order and by pending legislation.

direct proposal to strengthen the SBA's advocacy efforts. It is virtually identical to Recommendation 47.

These measures could be set in motion by an Executive Order, or they could require a combination of Executive Order and new congressional legislation.

Recommendation 50: *Small business representation in economic and regulatory decision-making should be increased. This should include, but not be restricted to the following steps by the President:*

1. Seek the Counsel of the SBA Administrator and representative small business executives in developing policy.

2. Appoint a small business executive as a senior advisor on the White House Domestic Policy Staff.

3. Direct that small business advocates be assigned to the OMB, FRB, Treasury Department and regulatory agencies, under general guidelines from the Office of Advocacy at the SBA.

4. Appoint small business persons to all national boards, commissions and advisory committees whose work impacts on small business.

This proposal reflects the desire of small-business people to participate more actively in developing economic policy in order to have their interests taken into account. Although worded more generally, it is substantially the same as Recommendations 47 and 49, except that it asks to have a small-business advisor appointed to the Domestic Policy Staff as well as to other boards, commissions, and committees affecting small businesses. Executive action rather than legislation would be required.

"Many small-business owners want legislation that would give new teeth to the Robinson-Patman Act, the "Magna Carta of Small Business."

International Trade

International Trade received limited attention at the Conference. Fewer than one out of five delegates represented manufacturing, and because exporting has never been a high priority in the U.S., most delegates were unfamiliar with export opportunities. Small Business' potential for contributing to exports, however, is crucial for the U.S. trade balance and is explained in depth on pages 22-23 and pages 32-34.

In September 1978, the President announced a

> **Information about how to export is now scattered among numerous government agencies, and potential exporters have a difficult time finding out what is available.**

loan programs under Section 7(a) of the Small Business Act.

Eximbank and SBA already have announced a pilot project to provide eligible small exporters with revolving credit lines.

Recommendation 53: *The Federal government should establish field one-stop service shops to include export services of all Federal agencies under the guidance of the Department of Commerce.*

Information about how to export is now scattered among numerous government agencies, and potential exporters have a difficult time finding out what information is available. In this recommendation, the delegates propose that the government set up single, centralized offices in major cities that would provide a complete spectrum of government information and would offer the services of a team of foreign-trade experts from the Commerce Department, the SBA, Eximbank, the Internal Revenue Service, the Overseas Private Investment Corporation, and the Foreign Credit Insurance Association. Under this proposal, Commerce would be the coordinating agency.

Recommendation 54: *The President and Congress should consolidate under an existing cabinet level department, a unified world trade administration. It would be responsible for all trade policy functions of the various agencies and departments. Its objective would be to maximize the international competitive strengths of U.S. Small Business with support and goals for minority, women-owned and disadvantaged business and specific programs developed to utilize their units of technological, educational, cultural, language and political expertise.*

This recommendation proposes a broader approach to the problem of scattered federal programs for foreign trade. It asks for a unified World Trade Administration under an existing federal department. The World Trade Administration would establish foreign trade as a major national priority, bring trade policy into a single focus, eliminate the duplication and complexity of the present system, and emphasize small-business exports. It would also administer the one-stop service shops proposed in the previous recommendation.

Since the Conference, the SBA has requested an Executive Order that would formally establish an Interagency Committee on Small Business Exports and Investment, chaired by SBA Administrator A. Vernon Weaver. The committee's members will include officials from Commerce, Agriculture, Treasury, Eximbank, OPIC, and the Office of the U.S. Special Trade Representative. The proposed Executive Order also would appoint Administrator Weaver, along with five small-business exporters, to the President's Export Council.

Recommendation 55: *Congress should provide for support and expand use of all officially recognized Trade Fairs, Exhibits, and Trade Centers abroad with small business participation; continue to encourage the Department of Commerce to increase the promotion of foreign buyer and foreign visitor travel to the United States; and develop a*

The concept behind this recommendation envisions a partnership among government, educational institutions, and business to launch a national program. The government's principal role would be to coordinate policy. It would also supply resources and incentives to businesses and universities, which in turn would develop specific approaches to entrepreneurial training and management assistance.

Government participants would include the SBA along with the Departments of Commerce, Labor, and Education. No federal initiatives, legislative or executive, currently exist along these lines.

Recommendation 57: *The Small Business Administration's management assistance programs should be strengthened and expanded by allocating a greater portion of the Agency's total resources to reflect an increased emphasis on management assistance rather than the traditional emphasis on financial assistance.*

In this recommendation, the delegates stated that management training is as important to small businesses as the SBA's loan programs. The proposal is related to, and somewhat in conflict with, Recommendations 47 and 49 from the workshops on Economic Policy and Government Programs. Those recommendations state that advocacy should be the SBA's principal concern, and 49 proposes that the additional money and personnel for advocacy come from the streamlining that the SBA would achieve by expanding its pilot bank-certification program (page 86).

Recommendation 58: *A National Policy should be established for the support of entrepreneurial education and training, continuing education and management assistance, provided by the public and private sector, as an opportunity for every American who wishes to own his or her small business and should receive recognition as a priority from the highest levels of government.*

This recommendation was fashioned in tandem with Recommendation 56. It calls for the national policy that 56's proposed task force would implement.

Recommendation 59: *Establish "One-Stop Shops" under the coordination of SBA for small business assistance programs utilizing effective information systems and management assistance programs to serve the small business community of the local level, with primary implementation occurring through the private business sector, existing agencies and existing organizations.*

One-stop shops would be single offices in major cities that would offer a complete spectrum of assistance programs to small-business people. Representatives from such government bodies as the SBA, the Commerce Department, the Internal Revenue Service, and the Export-Import Bank, to name a few, all would be available in one location to help small businesses with financing, federal procurement opportunities, construction bonding, accounting, tax reports, export possibilities, and numerous other subjects. The one-stop shops would also act as clearinghouses for information about government and private-sector programs. The same idea is encompassed in Recommendation 53, and additional explanation can be found on page 32.

Recommendation 60: *Congress should enact legislation that would provide tax credits or other tax incentives for:*

A. Expenses incurred to educate small business owners and operators regarding the management of business.

B. Expenses incurred to conduct continuing education and training and to provide on-the-job entrepreneurship experience.

The idea behind these proposed tax incentives is to encourage successful business people to help educate and train small-business managers and entrepreneurs—that is, to open channels for business people to help each other under the programs outlined in Recommendations 56, 58, and 59.

Concluding Summary

The 60 Conference recommendations are the product of an unprecedented nationwide appeal for solutions to problems that beset Small Business, problems that are becoming increasingly acute. The effort began with 25,000 small-business men and women expressing their concerns at meetings around the country, and it culminated, 18 months later, in delegates casting their ballots at the national Conference in Washington.

The participants represented a broad spectrum of

FOOTNOTES

1. "Monthly New Business Incorporations," Dun & Bradstreet, March 3, 1980.

2. "Employment & Earnings," Bureau of Labor Statistics, U.S. Department of Labor, January 1975 and January 1980.

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4. "Science Indicators," National Science Foundation, 1979.

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7. C. Wright Mills and Melville J. Ulmer, "Small Business and Civil Welfare," *Report of the Smaller War Plants Corporation to the Special Committee to Study Problems of American Small Business,* Senate Document 135, February 13, 1946.

8. Jon G. Udell, "Social and Economic Consequences of the Merger Movement in Wisconsin," Graduate School of Business, The University of Wisconsin (Madison, May 1969).

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10. "Future of Small Business in America," A Report of the Subcommittee on Antitrust, Consumers & Employment, Committee on Small Business, U.S. House of Representatives, November 9, 1978, p. 4.

11. "Statistical Abstract of the U.S. 1979," Bureau of the Census, U.S. Department of Commerce, pp. 408-412.

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46. "Tables of Federal Procurement," Interagency Committee Report to the President, 1978-79.

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48. "Presidential Review Memorandum on Vietnam Era Veterans," Committee Print No. 38, Committee on Veterans Affairs, U.S. House of Representatives, October 16, 1979, pp. 12-13.

49. Office of Procurement, U.S. Small Business Administration, March 1980.

50. Data from U.S. Small Business Administration, 1980.

51. U.S. Small Business Administration Annual Report FY 1978.

52. "1974 Energy Report for Small Business," National Federation of Independent Business, Washington, D.C.

53. Data from American Association of Petroleum Geologists, Washington, D.C., 1979.

54. Data from National Oil Jobbers Council, Washington, D.C., 1979.

55. Data from Service Station Dealers of America, Washington, D.C., 1979.

56. Size Standards Division, U.S. Small Business Administration, 1979.

57. "Employment & Earnings," Bureau of Labor Statistics, U.S. Department of Labor, February 1980.

58. George T. Solomon and Bruce G. Whiting, "Casualties of Ignorance: The Dilemma of Small Business," *The Proceedings of the Small Business Institute Director's Association National Conference*, August 1978, p. 143.

APPENDICES

Appendix B: Regional Conferences and Open Forums

Regional Conferences and Open Forums

1978

*	1. Boston, MA	Aug. 17-18
	2. Little Rock, AR	Sept. 8
*	3. Denver, CO	Sept. 22-23
	4. Pittsburgh, PA	Sept. 29
	5. Cleveland, OH	Sept. 30
	6. Charlotte, NC	Oct. 5
	7. Columbia, SC	Oct. 6
	8. Miami, FL	Oct. 12
	9. San Juan, PR	Oct. 13
*	10. Houston, TX	Oct. 23-24
	11. Boise, ID	Nov. 6
	12. Portland, OR	Nov. 8
	13. San Diego, CA	Nov. 16
	14. Las Vegas, NV	Nov. 17
*	15. Los Angeles, CA	Nov. 27-28
	16. Oklahoma City, OK	Dec. 6
	17. New Orleans, LA	Dec. 8

1979

	18. Birmingham, AL	Jan. 10
	19. Jackson, MS	Jan. 12
*	20. Dallas, TX	Jan. 23-24
	21. Louisville, KY	Feb. 1
	22. Nashville, TN	Feb. 9
*	23. Atlanta, GA	Feb. 15-16
	24. Cherry Hill, NJ	Feb. 22
	25. Wilmington, DE	Feb. 23
	26. Phoenix, AZ	Mar. 1
	27. Albuquerque, NM	Mar. 2
	28. Buffalo, NY	Mar. 8
*	29. Seattle, WA	Mar. 22-23
*	30. New York, NY	April 5-6
	31. Baltimore, MD	April 10
	32. Wichita, KS	April 17
	33. Minneapolis, MN	April 18
	34. Des Moines, IA	April 27
	35. Indianapolis, IN	May 4
	36. Omaha, NE	May 9
	37. St. Louis, MO	May 11
*	38. Kansas City, MO	May 24-25
	39. Honolulu, HI	June 1
	40. Charleston, WV	June 6
	41. Richmond, VA	June 8
	42. Detroit, MI	June 14
*	43. Philadelphia, PA	June 22
	44. Milwaukee, WI	June 26
	45. Anchorage, AK	July 6
	46. Salt Lake City, UT	July 11
*	47. San Francisco, CA	July 16
	48. Billings, MT	July 23
	49. Fargo, ND	July 25
	50. Casper, WY	July 30
	51. Sioux Falls, SD	Aug. 1
*	52. Chicago, IL	Aug. 9
	53. Concord, NH	Aug. 16
	54. Augusta, ME	Aug. 17
	55. Montpelier, VT	Aug. 21
	56. Hartford, CT	Aug. 23
	57. Providence, RI	Aug. 29

* Asterisks designate Regional Conferences. All other meetings were Open Forums.

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National Ocean Industries Association
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Appendix F: Balloting Results

Number of votes received by each option during balloting by delegates at the Closing Session of the White House Conference on Small Business, January 17, 1980. (Each delegate voted for the 15 options which he/she considered to be the most important.)

Votes Received	Option Number	Votes Received	Option Number
1129	1	297	51
818	2	294	21
807	16	278	34
799	3	272	45
757	41	255	10
746	11	251	55
681	4	239	35
675	17	188	49
646	5	185	28
597	47	138	48
578	36	135	12
564	42	117	54
553	18	110	40
472	6	109	29
471	46	97	59
441	19	95	58
410	7	83	57
403	44	81	60
400	56	78	14
388	20	76	38
385	33	69	13
363	50	68	53
359	32	65	15
352	26	53	52
343	27	52	39
335	43	38	30
334	31	24	25
315	8	22	24
315	37	9	23
308	9	8	22

Number of favorable and unfavorable votes received by each resolution during voting by delegates at the Closing Session of the White House Conference on Small Business. (Each delegate voted separately on each resolution.)

Resolution Number	Favorable Votes	Unfavorable Votes	No Opinion
1	1185	106	9
2	1158	129	13
3	1033	258	9
4	1157	131	12
5	1205	90	5
6	1029	255	16
7	1031	238	31
8	951	333	16
9	1056	219	25
10	972	285	43
11	1064	210	26

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John W. Kendrick
Chicago

Joseph Koss
Bensenville

Stanley V. Koziara
Mount Vernon

Buryl J. Lazar
Chicago

Winifred E. Lowery
Chicago

James H. Lowry
Chicago

Laurence F. Mages
Chicago

Raymond Margolies
Park Ridge

Vern I. McCarthy, Jr.
Itasca

Raymond E. Walton, Jr.
Indianola

Juli A. Weber
Des Moines

Connie Wimer
Des Moines

Donn Williams
Davenport

Kansas

Richard Barrera
Shawnee Mission

Frank J. Becker
El Dorado

Warren D. Bottenberg
Holton

K. P. Brasted, II
Wichita

Frank L. Carney
Wichita

Barbara J. Culbertson
Mission

Dale L. Flaxbeard
Overland Park

Donald R. Forsyth
Junction City

Edward S. Garber
Kansas City

Dale W. Gordon
Wichita

Barry Greenstein
Overland Park

Samuel A. Hardage
Wichita

Dale A. Hedrick
Lenexa

JoAnne Oppenheimer Hershman
Leawood

Biddy Hurlbut
Tonganoxie

Melva Lee James
Kansas City

Thomas M. Joyce
Marysville

M. K. Kusman
Overland Park

Joseph Lira
Kansas City

Billy Q. McCray
Wichita

Brnce E. Pendleton
Kansas City

Sharon F. Poindexter
Wichita

H. W. Bill Reece
Scandia

Hale T. Ritchie
Wichita

James R. Roath
Kansas City

W. P. St. Clair
Neodesha

Daryl K. Schuster
Liberal

Clifford Stone
El Dorado

Leroy C. Tombs
Bonner Springs

Raymond E. Walton
Wichita

Donald L. Wenger
Sabetha

Alberta E. Wolf
Ellis

Jo S. Zakas
Wichita

Kentucky

Franklin D. Carter
Louisville

D. Leroy Chewning
Hopkinsville

Bruce C. Cotton
Lexington

Constantine Curris
Murray

Scott R. Duncan
Louisville

James G. Frederick
West Liberty

Harvey L. Grawemeyer
Louisville

Michael J. Grisanti
Louisville

Stuart M. Grossman
Louisville

Jerry S. Ikerd
Somerset

Patrick R. Lancaster
Louisville

J. C. Laswell
Owensboro

J. P. Mauzy
Owensboro

Paul J. Martin
Owensboro

Tommy Cook McIntosh
Paducah

Maurice E. Meisner
Louisville

Elaine M. Musselman
Louisville

Charles D. Neblett
Russelville

Joan Seitz Pate
Lousville

Michael J. Roby
Princeton

Warren W. Rosenthal
Lexington

John P. Sawyer, Sr.
Louisville

Paul C. Seltman
Florence

Louis O. Scheu, Jr.
Louisville

Joseph V. Shipman
Louisville

William Allen Stone
Louisville

Linville Tarter
Somerset

Floyd C. Taylor
Frankfort

Louisiana

Nelson D. Abell
Monroe

Mitchell Albert, Jr.
Baton Rouge

Douglas J. Ash, Sr.
New Orleans

J. Dudley Atkinson, III
Baton Rouge

Paul M. Bass
New Orleans

Leonard L. Burns
New Orleans

Dennis A. Cross
New Orleans

Margarette R. Dupont
New Orleans

Louis H. Edwards
Plattenville

Harry L. Fusilier
Crowley

Brace Godfrey
Baton Rouge

Ralph P. Guerra, Jr.
Chalmette

Louis B. Harrell
New Orleans

J. B. Horne
Gretna

Byron R. Hughey
New Orleans

Betty Hutchison
Lake Charles

Robert L. Jeansonne
Baton Rouge

Linda G. Johnson
New Orleans

Richard E. Johnston
Belle Chasse

Neal W. Kaye
Harahan

Kenneth J. Lacho
New Orleans

Pratt Landry
New Orleans

Ben Louviere, Jr.
Harahan

George L. Luffey
Monroe

Troy O. McConnell
Shreveport

Mahlon R. McIlwain
Metairie

Ruth A. Menutis
New Orleans

W. C. Merikle
Lafayette

Aaron Mintz
New Orleans

Dimitry Morvant
New Orleans

Robert E. Nims
New Orleans

Harry D. Richardson
Baton Rouge

Louis Selig, Jr.
Baton Rouge

Adrienne Thomas
New Orleans

Dave C. Tyndall
Sulphur

Haskell Walker
Lafayette

Joe E. Wallace
Shreveport

Ralph E. Stoddard, Jr.
Westwood

Mino Sullivan
Metheun

David A. Tonneson
Wakefield

Roger E. Travis
Hingham

Joseph E. Trodella
Burlington

Oliver O. Ward
Andover

Alice Sizer Warner
Cambridge

James Ormond Woodbridge
Hathorne

Arthur W. Young, Jr.
Edgartown

George J. Zahka
Boston

Michigan

Henry J. Andries
Troy

William P. Baer
Troy

Haley Bell
Detroit

Michael Berry
Detroit

Judson Bradford
Holland

Johnetta C. Brazzell
Rochester

Wallace J. Bronner
Frankenmuth

Carlton A. Brooks
Pontiac

Percy L. Carr
Ben Harbor

Elvin J. Carson
Detroit

E. Bruce Cheadle
Grand Rapids

Nathan Conyers
Detroit

Roger Curry
Benton Harbor

Robert G. Dalton
Detroit

Edward Deeb
Detroit

Lydia Demski
Saint Joseph

Henry Garcia
Detroit

Marvin Gladstone
East Lansing

John K. Hendry
Plymouth

Ruby June Huddy
Haughton Lake

Thomas Kuber
Menominee

Edward J. Lane
Farmington

David J. Mackie
Detroit

Edward Mahoney
Detroit

George Mallas
Mount Clemens

Jehan Mansur
Flint

Walt McMurtry
Detroit

Sydney B. Melet
Flint

Margaret Minott
Kalamazoo

R. Dale Moretz
Jackson

Richard W. Olson
Traverse City

William F. Pickard
Dearborn

David Raben
Detroit

Frank R. Rudlaff, III
Bloomfield Hills

Harold M. Rupp
Bay City

Walter J. Russell
Lansing

Richard B. Sanford
Kalamazoo

Philip C. Sims
Detroit

Robert L. Starks
Saint Joseph

Jeffrey A. Stone
Detroit

John Vander Ploeg
Kalamazoo

Nellie M. Varner
Detroit

Abraham S. Venable
Detroit

Mary Jo Walsh
Detroit

Jacquelin E. Washington
Detroit

David J. Willett
Wayne

Wayne H. Williams
Lansing

Minnesota

Myrle S. Anderson
Moorhead

Richard Atwood
Minneapolis

Beverly Braun
Saint Paul

Noelann Brown
Saint Paul

Ralph Edwin Bruins
Richfield

Marcia J. Bystrom
Minneapolis

Lloyd G. Cherne
Edina

A. C. Al Claseman
Saint Paul

Janet Deming
Minneapolis

Karen Desnick
Minneapolis

Dennis Dotson
Mankato

Willis K. Drake
Minnetonka

Daryl Erdman
Kasson

Alfreda Garibaldi
Minneapolis

Roxanne Givens
Edina

Jim Gustafson
Duluth

Roger Lynn Halverson
Minneapolis

Charles Henderson
Duluth

Marlene M. Johnson
Saint Paul

Neel C. Johnson
Saint Paul

Joyce Yamamoto Klepp
Saint Paul

John M. Lamb
Minneapolis

Gordon C. Lewis
Edina

Robert M. Linsmayer
Saint Paul

W. Matthew Little
Minneapolis

Al McFarlane
Minneapolis

Thomas R. Moorhouse
Eden Prairie

Carl F. Nielsen
Saint Cloud

Donald W. Pennertz
Alexandria

Collin C. Peterson
Detroit Lakes

Leon Rankin
Brooklyn Center

Susan Sands
Saint Paul

Robert D. Sparboe
Litchfield

Lee N. Sundet
Minneapolis

Corinne L. Stefanson
Moorhead

Thomas Tipton
Minneapolis

Herbert F. Trader
Minneapolis

John S. Tschohl
Bloomington

Reiko Weston
Minneapolis

Mississippi

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Brookhaven

Sharon B. Bell
Columbus

Robert J. Boland
Pascagoula

Leonard L. Bouler, Jr.
Jackson

William B. Brannan
Canton

John N. Dennery
Jackson

W. W. Gresham, Jr.
Indianola

William J. Gerhold
Columbus

Thomas Haiston
Scottsbluff

Robert Kimbler Hill
Omaha

John A. Johnson
Bellevue

Allen E. Jones
Omaha

Arthur L. Knox
Lincoln

Donald L. Lowe
Omaha

Patrick McCarthy
Omaha

Barney McGuire
Omaha

Francis D. Moul
Syracuse

J. Robert Mullen
Omaha

Norman A. Otto
Lincoln

Sharron J. Roncka
Omaha

William L. Wilke
Lexington

Ken Wortman
Aurora

Nevada

William H. Bailey
Las Vegas

Charles Bilich
Las Vegas

John Buchan
Winnemucca

Arturo B. Cambeiro
Las Vegas

John Flanigan
Reno

Joy M. Hamann
Las Vegas

Thomas L. Jackson
Las Vegas

Dennis P. Jaeger
Las Vegas

John A. Kleppe
Reno

Arthur C. Lurie
Las Vegas

Edward F. Ortiz
Las Vegas

Evan Williams
Las Vegas

Don Woolbright
Las Vegas

New Hampshire

Charles H. Burnham
Durham

Jay C. Edwards
Portsmouth

Herbert Fajors
Manchester

William E. Fletcher
Nashua

Robert H. Grip
Peterborough

E. Leo Kanteres
Manchester

Evelyn E. Marconi
Portsmouth

Thomas D. McCarron
Portsmouth

Paul R. McQuade
Dover

Stuart N. Shaines
Portsmouth

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Manchester

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Littleton

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Durham

George I. Wiggins
Sunapee

New Jersey

Robert Frank Bladis
Springfield

Hamilton V. Bowser
East Orange

Robert Burd
Washington

Robert E. Carr
Cherry Hill

Nunzio E. Cernero
Trenton

Dudley Wesley Christie
Newark

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Morristown

Harvey Cohen
Jersey City

Olive S. Cram
Camden

William Dalton
Interlaken

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Brant Beach

John C. Ekarius
Brick

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Newark

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Riverside

David C. Forward
Medford

Richard R. Gallagher
Lakewood

Ellen Galserman
Livingston

Sidney Goodwin
Camden

B. L. Griffin
Edison

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East Orange

Myron R. Hirsch
Elizabeth

Henry Jacobs
Paterson

Harry C. Jones
Short Hills

Regina W. Joseph
Newark

Fred W. Jurash
Medford

Robert J. Levine
East Brunswick

Nancy A. Luetzow
Mays Landing

Elizabeth T. Lyons
New Brunswick

Eugene Macchi
Ho-Ho-Kus

Walter MacKinnon
Wayne

Michael D. Matteo
Cherry Hill

Rose C. Nini
Princeton

Joseph A. Novoseller
Lakewood

George S. O'Connor
Newark

Gloria F. Pagliughi
Vineland

Andrew Paretti
Newark

Robert Melvin Pastore
Union City

Gelorma E. Persson
Little Silver

Wiley J. Pickett
Pennsauken

Charles H. Reynolds, Jr.
Lakewood

Richard S. Ringer
Clark

Sue Rosenblatt
East Brunswick

Bernice Rosmarin
Edison

William Saller, Jr.
Bridgewater

James Smith, Jr.
Rahway

Charles A. Spencer
Cherry Hill

Ernest Tangeri
Fords

Midred Tuffield
Cliffside Park

Mark Watson
Seabrook

Ralph Weiger
New Vernon

Gary Wellmann
Whippany

Robert James Whelan
Trenton

Douglas W. Woodson
Cranford

New Mexico

Henry A. Alaniz
Roswell

Ben B. Alexander
Hobbs

Mike Anaya
Moriarty

George T. Dunagan
Carlsbad

John P. Gallegos
Santa Fe

Michele Murdock
New York City

Edwards Myers, Jr.
New York City

H. Kendell Nash
Brooklyn

Donna M. Nickerson
Rochester

Raymond R. Norat
New York City

Daniel F. O'Leary
Niagara University

Karen Olson
New York City

Michael O'Neal
New York City

Henry N. Oppenheimer
Larchmont

Dorothy J. Orr
New York City

Alan J. Patricof
New York City

Maurice L. Phillips
Brooklyn

Conway Porter, III
Buffalo

Herbert Potoker
Saratoga Springs

Doris Powell
Cambria Heights

Gabriel Prince
Brooklyn

John Procope
New York City

Gilbert M. Reich
New York City

Eddie Reyes
New York City

James Reynolds
Staten Island

John R. Riedman
Rochester

Jose L. Rodriguez
New York City

James Sanchez
New York City

Frank Savage
New York City

Susan Schein
New York City

Nahun Shar
Great Neck

H. L. Shulman
New York City

J. R. Simone
Saratoga Springs

William Sims
Buffalo

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New York City

Sally Ann Slacke
Smithtown

Phyllis Hill Slater
East Elmhurst

Donald L. Smith
Rochester

Samuel Solomon
Brooklyn

Ava Stern
New York City

W. H. Stewart, Jr.
Brooklyn

Robert Stoner
Buffalo

David R. Strong
Ithaca

Percy Sutton
New York City

Margaret Swezey
Flushing

Esteban Taracido
Hauppauge

Johnny Torres
Bronx

A. Robert Towbin
New York City

Cordelia Venable
Brooklyn

Robert C. Wagner
Hoosick Falls

David B. Weatherup
Syracuse

Ronald J. Welebny
Bohemia

Michael L. Wilder
Macedon

Lloyd Williams
New York City

Lawrence J. Winston
Garden City

Andy Wolf
Bronx

North Carolina

Mack A. Arnold
Goldsboro

Paul L. Bernhardt
Salisbury

Richard H. Bowling
Greensboro

Thomas B. Broughton
Raleigh

Charles T. Byrd
Greensboro

Richard C. Cavendish
Charlotte

Ben Cone
Greensboro

William A. Creech
Raleigh

Kenneth R. Croft
Eden

Doris M. Cromartie
Charlotte

J. A. Dalpiaz
Gastonia

James W. Daniels
Asheville

Harvey J. Diamond
Charlotte

Mary E. Diener
Research Triangle Park

John W. Duncan
Winston-Salem

Joe El-Khouri
Andrews

John D. Enoch
Burlington

Joe Exum
Snow Hill

Daniel Feinberg
Elon

P. K. Ferree
Cherokee

David S. Flowers
Hickory

Malachi J. Greene
Charlotte

Lawson E. Hamilton
Charlotte

J. Ben Helms
Wingate

Don Henderson, Jr.
Clemmons

C. C. Hope
Charlotte

Jack P. Jordan
Mount Gilead

Mary Ellen Kilday
Research Triangle Park

Al Lineberry, Jr.
Greensboro

Tom Lucas
Lucama

Mary G. MacQueen
Wilmington

Fred H. McIntyre, Jr.
Lexington

William T. Minor, III
Charlotte

Loren Quincy Powell
Troutman

James B. Powers
Rocky Mount

William C. Rustin, Jr.
Gastonia

Solomon Shapiro
Charlotte

George S. Sinnicks
Charlotte

Carl E. Smith
Greensboro

Ralph Stout
Greensboro

Ann Page Watson
Durham

Steven E. Wooley
Charlotte

North Dakota

John D. Banker
Mohall

John R. Bernabucci, Jr.
Jamestown

Stanley H. Fink
Minot

John T. Korsmo
Fargo

Jubert Malme
Wahpeton

Oscar M. Olson
Bottineau

Don Piepkorn
Fargo

Rolland W. Redlin
Minot

Jon E. Rusten
Park Rapids (Minn.)

John F. Stockman
Fargo

Robert J. Whitney
Devils Lake

Jack R. Gates
Philomath

Glen G. Gibbons, Sr.
Milton-Freewater

Stanley E. Hartman
Beaverton

Maxine Ruth Hays
Junction City

James R. Hellerman
Salem

Mike Hillis
Bend

Eugene Jackson
Portland

Carl G. Kelley
Portland

Ezna Koch
McMinnville

Robert E. Laughlin
Portland

Jerry James McReal
Salem

James W. Ogle
Lakeview

Walt H. Rohde
La Grande

Pennsylvania

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Lancaster

Harry G. Austin
Mars

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Philadelphia

Robert L. Bauer
Philadelphia

Carl A. Beck
King of Prussia

Lee D. Behrhorst
Bridgeville

Edward A. Blomstedt
Wallingford

John A. Bogosian
Havertown

John A. Bowser
Philadelphia

Doreen Boyce
Pittsburgh

Edward F. Bradley
Philadelphia

George G. Britt, Jr.
Philadelphia

Burrell Brown
Pittsburgh

Leland C. Brown, Jr.
Pittsburgh

David P. Buchholtz
Philadelphia

Payson Watt Burt
Norristown

Charles M. Campbell
Woodlyn

Emma C. Chappell
Philadelphia

Patrick Chin
Philadelphia

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Murrysville

Walter J. Conti
Doylestown

Robert Cook
Philadelphia

Harold L. Corner
Meadville

Walter J. Dealtry
Bethlehem

Howard Eisenthal
Trevose

Joseph Farda
Tannersville

Bernard Featherman
Philadelphia

Herbert Fletcher
Philadelphia

Bernard Fromm
Reading

Thelma A. Furman
Ambler

Charles A. Garber
West Chester

Barrie D. Gibbs
Somerset

Del Goedeker
Aliquippa

Patricia B. Grosholz
Devon

Richard A. Haas
Lancaster

Dean Hirschfield
Pittsburgb

Thomas E. Huntzinger
Hanover

Joseph J. James
Philadelphia

Robert Jennings
Wayne

George F. Keller
Port Trevorton

Blair J. Kolasa
Pittsburgh

Kenneth H. Laird
Charleroi

William F. Leahy
Wynnewood

Lawrence Levinson
Morrisville

Joel D. Levitt
Warrington

Carmella Liberto
Pittsburgh

B. Louise Lindberg
Braddock

Robert A. Maleno
Glenolden

Leo R. McDonough
Swissvale

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Philadelphia

Matthew Mitchell
Philadelphia

Earl T. Morley
Philadelphia

Ralph W. Murray
Philadelphia

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Upper Darby

A. J. Nicoli
Scottsdale (Ariz.)

L. L. Niemeyer
Chadds Ford

Lawrence W. O'Neill
Easton

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McKeesport

Angelo Paioletti
Hershey

Frederick Ramirez
Philadelphia

Philip D. Rowe, Jr.
Wyomissing

Leo P. Russell
Bridgeville

Ruth A. Ryals
Pittsburgh

Guillermo Salas, Jr.
Philadelphia

Ronald P. Sandmeyer
Philadelphia

George E. Saxon
Verona

Isidore T. Shapiro
Levittown

Patrick G. Shields
Bradford

John H. Simon
Philadelphia

Winifred S. Slack
McMurry

Norman N. Smilek
New Castle

William Stark
Pittsburgh

W. Wayne Stewart
Wayne

John T. Stinson
Wynnewood

Robert M. Taylor
Philadelphia

Jane Theuerkauf
Erie

Neal W. Thompson
Pittsburgh

Ralph C. Vaughan
Pittsburgh

Robert N. Verratti
Valley Forge

Erwin von Allmen
Philadelphia

David Wechsler
Philadelphia

Joseph F. Welch
Reading

Maxine Whatley
Philadelphia

Norvella S. Williams
Philadelphia

James L. Winokur
Pittsburgh

Raymond Wood
Philadelphia

Byron W. Woodson
Philadelphia

John P. Yaissle
Pottsville

Nicholas A. Zoto
Huntingdon Valley

Puerto Rico

Rafael Campos, Jr.
Arecibo

Jack L. Miller
Gatlinburg

R. W. Nourse, Jr.
Nashville

Inman E. Otey
Nashville

Ellen C. Peete
Memphis

John W. Proffitt
Alcoa

Bruce Reagan
Gatlinburg

Audrey J. Roberts
Martin

Harold W. Schmitt
Knoxville

Arthur N. Seessel, Jr.
Memphis

Tom Segroves
Shelbyville

Landon Smith
Memphis

Jack F. Stringham, II
Nashville

Jody Wade
Memphis

George B. Winters
Knoxville

Texas

Bert Adams
Austin

Ruby W. Addison
Houston

Kathleen B. Alexander
Houston

Billy R. Allen
Dallas

Gerald B. Alley
Fort Worth

Donald R. Atkins, Sr.
Houston

Jerry G. Bartos
Dallas

William P. Boone
Austin

Palmer Bowser, Jr.
Houston

Walter J. Boyer, Jr.
Richardson

George E. Breckenridge
Euless

Charles L. Brunow
Dallas

Pat L. Burr
San Antonio

Betty J. Byram
Beaumont

Herman L. Byrd
Huntsville

Frederick C. Caldwell
Corpus Christi

Clarence M. Calloway
Houston

Morton S. Carson
Houston

George T. Cates
Manchaca

Raul R. Cisneros
Raymondville

Clyde Clark, III
Dallas

Bruce E. Collier
Lubbock

Richard S. Contreras
Fort Worth

Alan Cook
Waco

Pete V. Cortez
San Antonio

Ronnie L. Cox
Sweetwater

Charles Cross
Irving

Jack P. Cunningham
Houston

James D. Dannenbaum
Houston

Deborah Deberry-Kershaw
Dallas

Charles De Leon
San Antonio

Joy Dillon
Houston

John W. Dodd
Dallas

Vicki S. Downing
Dallas

George G. Eddy, Jr.
Austin

Savador Esparza
Houston

Marcus P. Eubank
Longview

Martha S. Failing
Houston

Jose Fernandez
Houston

John Fonteno, Jr.
Houston

Lillie Fontenot
Houston

Paul O. Gaddis
Richardson

Gilbert D. Gaedcke
Houston

Ruben Garcia
Laredo

Jesse E. Gloster
Houston

Art Greenhaw
Mesquite

John L. Guess
Houston

James W. Gustafson
Houston

Carol S. Hadnot
Austin

Page C. Haines
Houston

Ernest L. Haywood, Jr.
Dallas

Charles A. Homsy
Houston

Albert E. Hopkins
Houston

T. A. Hudgins
Houston

Harry H. Hurst, Sr.
Houston

Roy D. Jackson, Jr.
Houston

Rex V. Jobe
Dallas

Joannia Johnson
Dallas

John W. Jones
Houston

Vicki Keltner
Houston

Joe W. Kirven
Austin

Melvyn Klein
Corpus Christi

L. R. LaRoche
Amarillo

Theodore M. Lawe
Dallas

Albert M. M. Lee
San Antonio

John N. Leedom
Dallas

Pat Legan
San Antonio

Kermit V. Lewis
Houston

Mary E. Locke
Houston

Joe Loe
Fort Worth

James H. Lunz
San Antonio

Antonio P. Macias
San Antonio

James L. Marshall
Houston

C. Ray Massey
Houston

Johnny Mata
Houston

Marion L. Mayo
Texarkana

Donna McFarland
Mount Pleasant

Arlington McRae
Houston

Thomas K. Mercer
Houston

Chris Miller
Fort Worth

Tommy J. Mills
Killeen

Jeannie Moffatt
Houston

Ruben R. Montemayor
San Antonio

Prentis M. Moore
Houston

Robert G. Muzyka
Arlington

Harold Nedell
Bellaire

Charles Neil
Lubbock

Betty W. Orrell
Dallas

David R. Pinkus
Dallas

J. Pizzitola
Houston

Gloria Pruett-Anderson
Denton

Michael J. Ziglar
Richmond

Washington

Willie J. Allen
Seattle

Ernett R. Altheimer
Tacoma

Ozzie L. Anderson
Seattle

Juan-Miguel Avena
Bellevue

Roy A. Avent
Seattle

Leo Mason Bowman
Richland

Darnell Boyd
Richland

Gary Don Brackett
Tacoma

Alan Bradley
Spokane

Andrew Lee Branch
Seattle

Dale W. Bull
Olympia

Mel Carter
Spokane

Michael Clanton
Seattle

Douglas L. Clark
Olympia

Sten Crissey
Seattle

Bertram Daley
Seattle

Roger Currie Dennis
Yakima

Charles E. Eddington
Spokane

David A. Ederer
Seattle

Eloy M. Estudillo
Sunnyside

Michael H. Fagin
Bellevue

J. P. Francis
Kent

Reginald S. Frye
Seattle

Charlie Funk
Spokane

John C. Gayton
Seattle

Russell Sydney Gideon
Seattle

John Allen Gilmore
Seattle

John M. Goodfellow
Seattle

Ray Guerrero
Seattle

Mary L. Halberg
Bellevue

Moises Hernandez
Olympia

Larry Hillis
Everett

James W. Johnston
Mercer Island

Margaret Mitsue Kihara
Seattle

Elizabeth Konarski
Issaquah

Wayne MacRae
Seattle

Arthur Mazzola
Seattle

T. J. Meenach, Jr.
Spokane

Michael J. Mitchell, Jr.
Seattle

Charles O. Morgan
Kirkland

Geneva A. Noble
Seattle

Ernest Omri
Seattle

G. M. Paris, Sr.
Bothell

Patricia A. Patton
Seattle

Douglas A. Pearson
Seattle

George Reitemeier
Spokane

Earl G. Reubel
Steilacoom

Dale Rodgers
Yakima

Howard M. Ruddell
Port Angeles

Leslie Savitch
Seattle

David Shaw
Seattle

Art Simmons
Seattle

Carol Ann Smith
Seattle

Gary L. Smith
Bellevue

Wesley D. Snowden
Bellevue

Kristen R. Taylor
Renton

Bud Thorp
Tacoma

Emile R. Van Hout
Seattle

Reynaldo Z. Venegas
Bellevue

Thomas R. Waters
Bellevue

Fawn W. Watkins
Seattle

Arthur L. Wilkerson
Renton

Gerald Wong
Seattle

Gary Donald Wright
Marysville

Dale H. Zeigler
Bellevue

West Virginia

Clarence Allen, Jr.
Ronceverte

Bill Bailey
Saint Albans

Herbert A. Buckley
Daniels

Robert Burke
Wheeling

McDonald Cary
Charleston

Philip E. Cline
Huntington

Edwin L. D. Dils
Parkersburg

Elmer A. Fike
Nitro

Eloise Jack
Charleston

Dianne Jones
Morgantown

J. Kenneth McDonald
Martinsburg

James E. McDowell
Huntington

Robert Myers
Huntington

William Adam Rice
Charleston

Marvin J. Smith, Sr.
Charleston

Floyd Ray Stiles
Kingwood

Charles Harry Thorne
Fairmount

William Turnbull
Huntington

Jack T. Turner
Morgantown

James P. Vaughan
Parkersburg

Don A. Wagenheim
Wheeling

William E. Witschey
New Martinsville

Wisconsin

Helen I. Barnhill
Milwaukee

John S. Bell
Butler

Elroy P. Bennett, Jr.
Milwaukee

Nelson E. Boon, Jr.
Frankesville

Robert W. Brennan
Madison

Catharo P. Brown
Milwaukee

John F. Brush
Milwaukee

William O. Casto, III
Milwaukee

Felmers O. Chaney
Milwaukee

Charles C. Chouinard
Sturgeon Bay

Adrienne E. Davis
Milwaukee

Frits G. Dinesen
South Milwaukee

William Duwe
Oshkosh

Alan D. Fabian
New Berlin

Elaine Gabower
Janesville

Edward J. Gaffney
Waukesha

Jack Gardner
Milwaukee

William J. Grady
Brookfield

George F. Griffin
Amery

Len Griffith
Janesville

Ted Grob, Jr.
Grafton

Thomas P. Guszkowski
Milwaukee

Paul E. Hassett
Milwaukee

Saundra R. Herre
Racine

Emily J. Hill
Racine

Roger G. Hill
Racine

C. Willard Howe
Milwaukee

Alfred H. Knief
West Allis

John L. Komives
Milwaukee

Lewis G. Kranick
Milwaukee

Werner H. Maahs
Menomonee Falls

Mabel R. McClanahan
Appleton

Jay E. Meili
Port Washington

Jerry W. Moody
Mauston

Fred Nelson
Viroqua

Maxine D. O'Brien
Portage

Russell A. Olson
Madison

Gordon I. Pearson
New Berlin

Hamilton A. Pinkalla
Milwaukee

Robert M. Pratsch
Suamico

John Redgrave
Beloit

Frederick H. Rice
Madison

Eldon H. Roesler
Nashotah

Robert L. Rybarczyk
Schofield

Rudy E. Small
Green Bay

George R. Stinson
Racine

William J. Tetzlaff
Wauwatosa

Patricia R. Thomas
Milwaukee

Dean A. Treptow
Brown Deer

Kenneth P. Urso
Madison

Charles Walker
Milwaukee

Herman Williams
Milwaukee

Rita D. Wlodarczk
Monona

Fred A. Ziegler
Fond lu Lac

Wyoming

Roger O. Courtney
Torrington

Gus Fleischli
Cheyenne

Eldon Garver
Torrington

Herbert K. Harris
Greybull

Allan R. Haworth
Riverton

Douglas Marquiss
Gillette

Kim I. Melrose
Casper

Mary Hoben Rohde
Cheyenne

Charles Rossa
Sheridan

Thomas L. Staley
Casper

John Veta
Cheyenne

Others

Luther Benjamin
St. Thomas, VI

Amadeo I. D. Francis
St. Thomas, VI

Joseph D. McDonald
Agana, GU

Michael McNulty
London, England

Joseph M. Pereira
Pago Pago, AS

Victor Puente
Arlington

Truman G. Reed
Pasadena

Connie Reyes
San Antonio

Paul J. Ricca
Arlington

James W. Rice
Houston

Albert R. Rodriguez
Austin

Frank A. Rollins
Houston

Jerry D. Rucker
Dallas

Robert T. Sakowitz
Houston

Irving Schwartz
El Paso

Charles W. Seely
Fort Worth

John C. Sewell
Dallas

Trudy L. Shay
Dallas

Jenneifer G. Sheffield
Houston

Nita Harmon Smith
Dallas

Dianne L. Snyder
Dallas

Calvin W. Stephens
Dallas

Charles O. Stine
Tyler

T. G. Swarb
Houston

William R. Thomas
Dallas

Herbert A. Train
Corpus Christi

Jesse Trevino
McAllen

Charles B. Uzeta
El Paso

Bernardino Vasquez, Jr.
San Antonio

George Veloz
Midland

Malcolm Watson
Dallas

Erich Wendl
Corpus Christi

Morris F. Womack
Friendswood

Hayden Woodard
Junction

E. Thomas Wooten
Carrollton

Utah

Charles W. Akerlow
Salt Lake City

Lawrence E. Alder
Salt Lake City

Robert G. Arnold
Salt Lake City

Gordon S. Bird, Jr.
Blanding

Howard E. Bird
Salt Lake City

Ann Marie Boyden
Salt Lake City

Peter Cooke
Salt Lake City

Paul P. Eardley
Saint George

James A. Eberhardt
Salt Lake City

Glenn L. Edwards
Salt Lake City

Clair R. Hopkins
Salt Lake City

Thomas N. Hori
Layton

Earl A. Miller
Orem

Tats Misaka
Salt Lake City

Adrian H. Pembroke
Salt Lake City

Ray S. Robinson
Salt Lake City

David L. Tomlinson
Salt Lake City

Eldon Weber
Midvale

Ernest I. Wilson
Salt Lake City

Vern K. Yoho
Salt Lake City

Vermont

Gar M. Anderson
Montpelier

Michael H. Bernhardt
Rutland

Ralph DesLauriers
Bolton

Elizabeth M. Dunsmore
Swanton

Harry H. Holland
Bethel

Harold John Howrigan
Fairfield

Robert D. Ide
Saint Johnsbury

Karen E. Kent
Burlington

Nancy E. Lang
Burlington

Barbara Ann Mair
Burlington

Joanne McCrea
Montpelier

Marion Milne
Barre

William S. Preston, III
Burlington

E. Frank Wall
Montpelier

Gordon R. Wilkinson
Montpelier

Virginia

Linton Beasley
Lynchburg

Harvey Boltwood
Alexandria

Edwin B. Brooks, Jr.
Richmond

Joseph L. Cason
Roanoke

Michael Clark
Richmond

William E. Confroy
Halifax

James Di Cicco
Williamsburg

Luther I. Dickens
Radford

Wilbur S. Doyle
Martinsville

Ann M. Duffer
Richmond

Tim Finnegan
Richmond

Richard A. Farrier
Staunton

Leroy S. Gaillard
Norfolk

Everett V. Goings, Jr.
Charlottesville

E. Richmond Harris, Jr.
Lynchburg

John B. Harris
Petersburg

M. Ronald Helms
Petersburg

Preston T. Holmes
Richmond

Michael K. Jones
Danville

A. Neil Kirby
Falls Church

Stanley L. Krejci
Alexandria

William H. Long, Jr.
Norfolk

T. W. Manning
Portsmouth

Alvin H. Miller
Urbanna

S. Warren Richard, Jr.
Norfolk

Allen Roots, Jr.
Richmond

Arthur Rosenfeld
Norfolk

Eric P. Schellin
Arlington

Charlotte H. Scott
Charlottesville

Baxter B. Taylor, Jr.
Richmond

John E. Taylor
Alexandria

Herman E. Valentine
Virginia Beach

Francis T. West
Martinsville

John E. White
Woodbridge

Gail Williams
Fairfax

J. B. Wisniewski, Jr.
Springfield

Juan H. Cintron
San Juan

Alejandro Coll
San Juan

Jorge Colon-Nevares
San Juan

Victor M. Defillo
Rio Piedras

Jose A. Franceschini
Hato Rey

Manuel F. Iglesias
Santurce

Willys K. Julia
Santurce

Ana Mendez
Hato Rey

Carlos F. Mendia
Ponce

Doris Stadzeski
Santurce

Rhode Island

William B. Anderson
East Providence

F. Robert Black
Providence

Joseph L. Casinelli
Providence

Richard D. Cesana
East Greenwich

Earle F. Cohen
Newport

Robert A. Comerford
Kingston

Stephen E. Crowley
Warwick

Charles R. Douglas
Providence

Joseph G. E. Knight
Warwick

Donald A. Lopes
Providence

Michael R. Marra
Providence

Clifton A. Moore
Providence

Joseph H. O'Donnell, Jr.
Woonsocket

Joseph E. Olean
Westerly

Thomas J. Riggs, Jr.
Pawtucket

J. L. Schaefer, III
Warwick

William T. Sisco
Westerly

Alfonse C. Votolato
Providence

South Carolina

Rodney Albert
Orangeburg

Howard F. Burris
Rock Hill

Sol Cohen
Walterboro

Daniel W. DuBose
Darlington

Mason K. Edwards
Greer

Herbert V. Fielding
Charleston

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Hilton Head Island

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Columbia

Clarence R. Jolly, Jr.
Edgefield

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Bamberg

T. R. McConnell
Columbia

J. E. McKenney
Columbia

Benjamin L. Mims, III
Edgefield

Theo Walker Mitchell
Greenville

Elrid M. Moody
Hilton Head Island

William H. Orders
Hilton Head Island

Sandii Peterson
Greenville

John C. Rhine, Jr.
Greenville

George M. Richardson
Kingstree

Harrison Rearden
Columbia

Jack M. Scoville
Columbia

Ivery Simmons, III
Columbia

James E. Still, Sr.
Greenville

Robert M. Talion, Jr.
Florence

John M. Trask, Jr.
Beaufort

Carl M. Tucker, III
Pageland

Willie Williams
Columbia

South Dakota

Thomas E. Aman
Aberdeen

Joseph L. Anderson
Sioux Falls

Richard E. Barnes
Sioux Falls

Stephen L. Boyer
Pierre

Beverly J. Bruce
Mitchell

Earl Chesnick
Redfield

William E. Dorsey
Redfield

Peter I. Gregory
Humboldt

Roy D. Nyberg
Sioux Falls

Laurie Reiners
Rapid City

Jack G. Rentschler
Sioux Falls

Kay Riordan
Keystone

Christine Roberts
Pierre

Robert Samuelson
Faith

Ted J. Thoms
Sioux Falls

Tennessee

Jack Adams
Lewisburg

Jim Adams
Paris

William E. Akin
Nashville

Robert C. Andrews
Nashville

Bob Baker
Dandridge

Frank J. Banks
Memphis

Earl B. Blasingame
Adamsville

Dale R. Boring
Harriman

T. B. Boyd, III
Nashville

John P. Brown, Jr.
Nashville

J. Richard Chambers
Nashville

J. Stuart Collier
Memphis

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Springfield

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Chattanooga

William E. Crook
Old Hickory

James K. Dockery
Brentwood

Paul Freeman, Jr.
Nashville

Edward F. Gordon
Shelbyville

Rebecca M. Graham
Nashville

Robert Hairston
Memphis

Paul Harper
Nashville

N. S. Holiday, Jr.
Nashville

C. Paul Howse
Memphis

Jesse B. Hunter
Nashville

Richard Manson
Nashville

Herbert Markel
Memphis

Lanny E. Mauldin
Dayton

Henry B. McAdams
Memphis

Elliott L. McElroy
Pulaski

Charles T. Miller
Memphis

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Richard R. Andray
Toledo

Larry V. Ballweg
Dayton

Don H. Barden
Lorain

Jack A. Bares
Chagrin Falls

Richard Barrett
Youngstown

Richard J. Bauer
Toledo

K. Michael Benz
Cleveland

Stephen F. Black
Cleveland

John W. Blatt
Toledo

William F. Bowen
Columbus

Thomas D. Brown
Columbus

Edward Carmody
Cincinnati

Ronald B. Cohen
Cleveland

Fred M. Crosby
Cleveland

Daniel D. Dell, Sr.
Cincinnati

Leo Demsey
Cleveland

Joe Donofrio
Toledo

Anthony J. Dragonette
Byesville

John C. Ellsworth
Willoughby

Mary Jane Fabish
Cleveland

Gerry Galloway
Worthington

Milton J. Garrett
Cleveland

Jack R. Graf
Columbus

John P. Grantham
Chardon

John R. Hall
Portsmouth

Fred R. Harrell, Sr.
Highland Heights

Joanne Kaufman
Cleveland

George Keil
Shelby

Anne L. M. Lamp
Akron

Melvin W. Lanzer
Napoleon

John Robert Leone
Cleveland

David L. Martin
Cincinnati

A. S. Martindale
Toledo

Charles R. McDonald
Willoughby

C. J. McLin, Jr.
Dayton

Walter N. Mirapaul
Akron

J. Wayne Moore
Springfield

Burton D. Morgan
Hudson

William M. Nelson, Jr.
Cleveland

John A. Newton
Cleveland

Richard W. Norton, Jr.
Fostoria

A. George Palmer
Cleveland

Vincent M. Panichi
Beachwood

John Pershing
Youngstown

John K. Pfahl
Columbus

Frederick R. Post
Toledo

Clinton A. Reph
Amherst

Edward H. Richard
Cleveland

John D. Rodeman
Toledo

Lynne Joy Rogers
Shaker Heights

Robert P. Ross
Centerville

Irwin J. Silverman
Toledo

Marian S. Sinsel
Logan

Nicholas C. Siropolis
Cleveland

H. R. Smith
Middletown

Rod Stewart
Cincinnati

Roy Taylor
Cincinnati

W. G. Thornton, Jr.
Cincinnati

Lyman H. Treadway
Cleveland

Frank Watson
Columbus

T. W. Welles
Cleveland

Harry E. White
Waterville

Darwin B. Wilkof
Canton

Chester S. Zajac
Cleveland

Oklahoma

William H. Allen, Jr.
Tulsa

J. Philip Boyle, Jr.
Oklahoma City

Clark H. Boyles, Jr.
Oklahoma City

James G. Calcote
Mangum

Randal W. Clark, Jr.
Tulsa

Myrtle Clayton
Oklahoma City

Charles H. Cooke
Oklahoma City

Leo Wayne Cravens
Oklahoma City

Joe Dodson
Oklahoma City

Merwin M. Hargrove
Tulsa

C. Wayne Hill
Wewoka

John Marshall Hobbs
Ardmore

Michael K. Hynes
Frederick

Doyle D. Jackson
Weatherford

Robert Aitken Kemp
Enid

William Kennedy
Muskogee

Jerry M. Lysinger
Tulsa

William E. Mabray
Muldrow

Neal A. McCaleb
Edmund

James E. Miller
Tulsa

Tom Pate
Wilburton

Alonzo L. Ponder
Oklahoma City

Gary L. Royal
Oklahoma City

Glen Stiles
Oklahoma City

Marvin A. Yeager
Tulsa

Oregon

Bruce H. Anderson
Eugene

Ted Achilles
West Linn

Robert W. Boyer
Portland

John R. Bradshaw
Portland

Herbert Broussard
Portland

Ruth L. Brownell
Salem

John Burnett
Corvallis

Edward B. Butcher
Portland

Warren Y. Chung
Portland

Alan L. Cole
Portland

Hank Crawford
Salem

Alan M. Director
Portland

Elon E. Ellis
Portland

Ron Fraedrick
Eugene

Vidal Garcia
Santa Fe

Robert B. Hertzler
Albuquerque

Robert J. Hoffman
Albuquerque

Arthur Janpol
Albuquerque

Ned Miller
Albuquerque

Edward J. Myslik, Jr.
Albuquerque

Charles E. Nolan, Jr.
Alamogordo

James R. Quillen
Albuquerque

Ed Romero
Albuquerque

Richard S. Roybal
Espanola

William B. Russell
Albuquerque

Bill D. Trembly
Albuquerque

New York

S. T. Abrilz, Jr.
Deer Park

C. M. Ahearn, Jr.
New York City

Maria S. Alba
New York City

John Aldeborgh
Poughkeepsie

Phillip D. Anderson
Syracuse

Alfred E. Anscombe
Amherst

Luis M. Barcelo
New York City

Gwendolyn Bennett
New York City

Ismael Betancourt, Jr.
Bronx

Shahara Ahmad Bey
New York City

Terrance G. Blount
New York City

Harold A. Brandt
Manhasset

Robert L. Brannon, Jr.
New York City

Arch J. Brick
Watertown

Ollie L. Bryant
New York City

Sy Buckner
Garden City

Sharnia Buford
New York City

David John Burgos
Melville

Le Roy N. Callender
New York City

Raymond M. Cantwell
Ithaca

Michael Carnevale
Elmira

David Castro-Blanco
New York City

Buster Celestino
Astoria

David Chang
New York City

Richard Grant Clark
Cazanovia

John B. Cline
Swormville

Samuel Cohen
Yonkers

Lawrence J. Cormier
Jamaica

Carlo S. Corsuti
Brooklyn

Robert L. Cox
West Hempstead

Robert B. Crews, Jr.
New York City

Cornelius Cummings
Rochester

Gregory R. D'Angelo
East Rockaway

Frank J. Davidson
Great Neck

James J. Dell'Orto
New York City

Robert J. Dermody
Syracuse

James C. Donaldson, Jr.
Bethpage

Sherman K. Edmiston, Jr.
Brooklyn

Robert L. Endy
Nyack

Donald M. Eversoll
Hauppauge

Beatrice A. Fitzpatrick
New York City

Peter Fleischmann
Buffalo

Audrey Frazier
New York City

Gerald J. Garner
Harrison

Raymond Abel Garraghan
Kingston

Joel Gerstel
Rockaway Park

Anthony H. Gioia
Buffalo

Earl G. Graves
New York City

Wilson Greatbatch
Clarence

Elton L. E. Green
East Elmhurst

Kevan M. Green
Tonawanda

Edward A. Greenberg
New York City

Darryl Greene
New York City

Dorothy Harris
Buffalo

Alexandria Hatcher
New York City

John E. Hayes, Jr.
Syracuse

Joan Logue Henry
New York City

James Alfred Heyliger
Saint Albans

Juda Hollins
Bronx

L. Bruce Hopewell
New York City

Peter G. Hurd
Buffalo

Laurie H. Hutzler
New York City

Patrick Iannotta
Bethpage

Eugene Delaney Jackson
New York City

Harvey P. Jamison
Brooklyn

Sydney Tucker Jones, III
Albany

Bill Joseph
New York City

Robert Katz
Brooklyn

Kaye Kynion
Kew Gardens

Joe Lapp
Le Roy

Stephen D. Lassar
New York City

Louis Laun
New York City

Marvin Leffler
New York City

Leslie Levi, Jr.
Brooklyn

Richard Lewisohn
New York City

Clarence C. Loftin, III
New York City

Yvonne G. Love
New York City

Eugene Lubin
Yonkers

Virginia Mapel
New York City

Joel P. Martin
New York City

John W. Matthews
South Hempstead

Edward J. McDermid, II
Buffalo

Dardis McNamee
Albany

George J. Measer
Williamsville

Isabel Medina
Melville

Michael Militello
Buffalo

Charles Miller
Amsterdam

Daniel B. Mitchell
New York City

Vito Paul Montecalvo
Utica

Nicholas J. Moon
New York City

Mike A. Moreno
Bronx

Rogers Morgan
New York City

John E. Moss
Rochester

Dee W. Haggard
Meridian

Orville M. Lister
McLain

Edward F. Mitcham, Jr.
Jackson

John Milton Mothershed
Batesville

Paul E. Nuckolls
Meridian

Jack R. Reed, Jr.
Tupelo

Thomas E. Sanders
Jackson

W. Eugene Simmons
Tylertown

Donald A. Stewart
Meridian

Melvon Taylor
Jackson

Matthew W. Thomas, Jr.
Jackson

H. M. Thompson
Jackson

James W. Turner
Jackson

Ted C. Weill
Tylertown

Liles B. Williams
Jackson

Charles L. Young
Meridian

Missouri

Marjorie P. Allen
Kansas City

Vivian D. Barnett
Saint Louis

Hector Barreto
Independence

Charles E. Baumstark
Hermann

Ed Bivins
Kansas City

G. Lawrence Blankenship
Kansas City

Stephen R. Blum
Carthage

Freddie Mae Brown
Saint Louis

Bernard Burdman
Kirksville

Raymond J. Campbell
Kansas City

Stephen Clark
Saint Louis

Charlotte Smith Cohen
Saint Louis

Constance D. Colemen
Kansas City

Nettie Cunningham
Saint Louis

O. Les Cunningham
Kansas City

James Dawson
Webb City

G. Carole DeSenne
Kansas City

Richard A. Dohack
Saint Louis

Richard D. Dunlap
Cape Girardeau

C. R. Fraction, Sr.
Saint Louis

Jack Garagnani
Saint Louis

Joseph Gonzalez
Saint Louis

William R. Gould
Saint Louis

Harold Guller
Saint Louis

Lawrence Albert Hadley
Kansas City

Wallace S. Hartsfield
Kansas City

Charles A. Hazley
Kansas City

James S. Hedges
Springfield

Norman B. Hjersted
Kansas City

Patricia L. Howard
Liberty

Robert L. James
Saint Louis

Robert L. Jones
Kansas City

Inez Y. Kaiser
Kansas City

Dick Kelly
Edina

James P. Kirk
Kansas City

Earl E. Kopp
Kansas City

Lionel Jack Kunst
North Kansas City

Lawrence A. Lewis
Fenton

Josephine M. Lockhart
Saint Louis

Leonard Luna
Grandview

Lawrence A. Marler
Maryland Heights

Donald L. Maxwell
Kansas City

Richard C. McBride
Lake Saint Louis

James K. Mellow
Saint Louis

Thomas A. Monks
Jefferson City

Chris W. Nattinger
Springfield

Thomas H. Nicholl
Kansas City

Basil L. North, Jr.
Kansas City

Ronald L. Piercy
Gladstone

Russ E. Price
Kansas City

Richard Quinn
Marshall

Michael J. Rainen
Kansas City

Albert C. Roland
Saint Louis

Hal D. Roper
Joplin

Curtis H. Sims, Jr.
Kansas City

Ollie Mae Stewart
Saint Louis

James Thomas
Saint Louis

Ralph T. Thomas
Saint Louis

James I. Threatt
Kansas City

Luva D. Vaughan
Independence

Carmine A. Vignola
Jefferson City

Beverly J. Vogt
Saint Louis

John E. Wagner, Sr.
Kansas City

Charles C. Wimes
Kansas City

Montana

Helen E. Alexander
Great Falls

George D. Anderson
Helena

Karin Bratlien
Missoula

E. B. Brown
Great Falls

Harvey W. Bryan
Wolf Point

Bob Crane
Helena

J. Stephen Davis
Billings

Allen L. Donohue
Great Falls

Robert O. Evans
Bozeman

John H. Jardine
Whitehall

Charles Jeniker
Butte

Ed Nurse
Helena

Jerry Plunkett
Butte

Donald R. Roberts
Libby

George B. Schotte
Butte

Finn E. Walstad
Great Falls

Nebraska

John C. Barnhart
Omaha

Kent B. Broyhill
Omaha

Jesse R. Davis
Bellevue

K. Michael Dishman
Omaha

Robert A. Edwards
Bellevue

Harry A. Warner
Covington

Jesse Wilson, Jr.
Plaquemine

Maine

Milton Albert Bailey
Presque Isle

Robert L. Bull
Temple

Theodore S. Chadbourne
Bethel

Bruce A. Chalmers
Bridgton

Thomas M. Chappel
Kennebunk

Richard E. Dyke
Portland

Peter B. Garsoe
Portland

Edward P. Harding
Portland

Bennett Katz
Augusta

Richard G. Kendall
Auburn

Linda Maxwell
Temple

Douglas Smith
Dover Foxcroft

Halsey Smith
Lewiston

Roland L. Sutton
South Paris

Gerald M. Tabenken
Bangor

John Telow
Lewiston

Lawrence J. Ward
Lewiston

Maryland

Michael G. Abercrombie
Salisbury

Frances S. Abernathy
Rockville

Richard Bernstein
Salisbury

Leonard Blackshear
Baltimore

Leon Bridges
Baltimore

E. J. Brody
Baltimore

Bernard S. Browning
Rockville

Robert Bushman
Monkton

Michael G. Callas
Hagerstown

Tracy C. Coleman
Silver Spring

Robert F. Dashiell
Baltimore

John W. Gomolisky
Rockville

Behrl Hirschman
Laurel

Andrew Interdonato
Fort Washington

Otto Karl Lange
Parsonsburg

Joseph K. McGeady
Baltimore

James H. McLean, Jr.
Baltimore

Edward L. Modlin
Gaithersburg

Arthur C. Morgan
Cumberland

Daniel D. Morse
Silver Spring

Tina Odom
Silver Spring

Peter Payne
Annapolis

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Baltimore

Samuel W. Seidel
Salisbury

Margaret T. Shaffer
Potomac

George C. Uzzell
Silver Spring

J. B. Vallandingham, Jr.
Frederick

Raymond D. Watts
Rockville

Ann Odette Whitlow
Lutherville

Massachusetts

Mattie May Adams
Boston

Ralph Berger
Waltham

Harold Brown
Boston

Julian J. Bussgang
Lexington

Earl D. Campbell
Boston

Francis R. Carroll
Worcester

J. Alden Cheever
Norwood

Dave Chiorgno
Pittsfield

Norman Comins
Lawrence

Shirley E. Coverdale
Wellesley Hills

Daniel A. Cronin, Jr.
Boston

Paul W. Cronin
Lawrence

James E. Curry, Jr.
Lowell

John J. Curtin, Jr.
Cambridge

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Bedford

David Dawley
Westminster

Lola Dickerman
Boston

James Donelan
Orange

George A. Doyle
Holden

Oliver Clarence Eckel
Cambridge

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Swampscott

Thomas G. Feenan
Quincy

Jude Goldman
Cambridge

Budge Hall, Jr.
Hyannis

Richard T. Horan
Boston

Ronald H. Johnson
Lexington

Faye D. Kass
Newton

James F. Lafond
Springfield

Richard G. Lee
Needham Heights

Robert S. Lee
Danvers

Walter H. Lind
Belmont

Ronald P. Masnicki
Agawam

Richard L. McDowell
Boston

John McGrath
Boston

Ed Molin
Newburyport

Andrew M. Monahan
Norwood

Thelma Cromwess Moss
Dorchester

Thomas F. Murphy
Attleboro

Arthur S. Obermayer
Cambridge

Robert Emmet O'Connor
Houstonic

George Shing-Tan Pan
Weston

Edward H. Pendergast
Boston

Allison A. Platt
Cambridge

Gerald F. Portante
Acton

Charles Puliafico
Webster

Donald H. Ramsbottom
Fall River

John C. Rennie
Burlington

Richard A. Rogers
Worcester

Frank C. Romano, Jr.
Rowley

Rollins W. Ross
Braintree

Eugene Roundtree
Hingham

Robert S. Royster
Cambridge

Warren C. Scott
Hingham

Lewis A. Shattuck
Waltham

Donald E. Sneed, Jr.
Boston

H. Sam McGrier
Chicago

Lester H. McKeever, Jr.
Chicago

Sandra M. McNeil
Chicago

Norman W. Nagel
Deerfield

Dean Alan Olson
Rockford

Richard D. Pettibone
Chicago

Verne H. Phillips
Peoria

Sol P. Povlo
Skokie

Barbara G. Proctor
Chicago

Frederick B. Rabenstein
Ottawa

David P. Ransburg
Peoria

Mariano Rivera
Chicago

Phillip C. Rizzo
Oakbrook

James P. Rossnagel
Peoria

Judith K. Schindler
Chicago

William R. Schirring, Jr.
Springfield

Norbert E. Schwarz
Rockford

Alan Robert Segal
Chicago

Lawrence Selig
Chicago

Wanda M. Sharrieff
Chicago

Richard H. Simpson
Peoria

Robert G. Smith
Oreana

Charlie Soo
Chicago

K. C. Summers
Mattoon

Harry Swift
Champaign

Garland Taylor
Chicago

Frank J. Turk, Jr.
Joliet

Beatrice Watson
Chicago

Eve Weinberg
Chicago

Philip J. Wicklander
Chicago

Lois K. M. Willard
Chicago

Arlene E. Williams
Chicago

Conni Williams
Chicago

G. A. Williams
Marion

Joseph A. Williams
Chicago

L. W. Williams
Chicago

L. Charles Woods
Chicago

Marvin Wortell
Chicago

Marguerite Young
Chicago

Indiana

Paula N. Auburn
South Bend

Robert Batteast, Sr.
South Bend

Elbert L. Bradshaw
Indianapolis

James H. Bryant, Jr.
Vincennes

John L. Coddington
Indianapolis

Alvin L. Cohen
Indianapolis

John Easley
Indianapolis

Harry D. Frick, Jr.
Monticello

Conrad R. Hedges
Terre Haute

John P. Hiler
LaPorte

Robert K. Hooker
Anderson

David H. Hovey
Terre Haute

James P. Keith
Jeffersonville

John P. Kelly, Jr.
Indianapolis

Edgar A. Kuhlenschmidt
Evansville

William Lehman
South Bend

James E. Meck
Kokomo

Rodney W. Morgan
Hammond

Larry E. Nunn
Columbus

William W. Oliver
Bloomington

Don Petruccelli
Fort Wayne

Paul J. Pfister
Terre Haute

William T. Ray
Indianapolis

Mike Rendaci
Clinton

Wayne H. Robbins
Bedford

Herma Ross
Hammond

Laurel J. Short
Fort Wayne

James L. Siegmann
Goshen

L. H. Smith
Indianapolis

Milo E. Smith
Columbus

Van P. Smith
Muncie

Stan F. Stitgen
Elkhart

Donnie R. Taylor
Hope

Jane Titus
Lebanon

Richard J. Van Mele
South Bend

Edward B. Wagnon
Muncie

Joseph M. Waldman
Bloomington

James A. Walker
Clayton

David Webster
Elkhart

Marvin Weiss
Merrillville

Alen G. Wyss
Fort Wayne

Iowa

Robert W. Allsop
Cedar Rapids

Ramona Barry
Carter Lake

Cornelius Bodine, Jr.
Sioux City

Wesley H. Boldt
Des Moines

Ralph Boone
Blakesburg

Jim Collison
Mason City

Barbara J. Fischer
Cedar Falls

Wayne F. Fox
Des Moines

Doug Getter
Des Moines

Harold W. Godbersen
Ida Grove

Jon P. Haddock
Climbing Hill

Joel C. Hanes
Mason City

Victor P. Junker
Waterloo

Arnold E. Levine
Des Moines

David E. Linge
Cedar Rapids

Warren J. McEleney
Clinton

Bud Miller
Burlington

Richard E. Myers
Coralville

Barnes O'Donnell
Cedar Rapids

Mary Paulson
Stockton

Herman Richter
Milford

David H. Swanson
Ames

Samuel H. Brody
Hollywood

Willie Calhoun
Miami

James B. Claiborne
Atlantic Beach

Beth Collier
Miami

Allan B. Cowart
Pensacola

Sarah I. Deben
Coral Gables

Robert A. Dishell
North Bay Village

David L. Ellsworth
Winter Haven

Don R. Everett
Perry

David Fincher
Miami

William H. G. France
Daytona Beach

M. Dan Grant, Jr.
Fort Lauderdale

B. Ernest Griffin
Jacksonville

William Gulliford, Jr.
Jacksonville

John P. Hall, Jr.
Green Cove Springs

Robert W. Harper
Winter Park

Charles J. Hawkins
Orlando

Doris J. Hoffman
Fort Lauderdale

Norma S. Hunt
Miami

Richard K. Kornmeier
Fort Lauderdale

Dale Ledbetter
Pompano Beach

James L. Lewis
Jacksonville

Joe Liszka
Key West

Evodio Llevada
Miami

Linus W. Llewellyn
Miami

George W. McCleary, Jr.
Miami

David L. McDuffie
Orlando

Eddie L. Mills
Saint Petersburg

Ellen F. Morris
Jacksonville

Frank L. Morsani
Tampa

F. J. Nahoom
Tallahassee

Albert Novak
Pompano Beach

Laura O'Brien
Miami

William G. Price
Immokalee

Patrick Range
Miami

Martin J. Roess
Saint Petersburg

Wayne H. L. Rohlfing
Longwood

Margaret St. Germain
Coral Gables

W. M. Sanderlin
Orlando

Don Schulstad
Tampa

Claire L. Shulman
Miami

Nathaniel Smith, Jr.
Fort Walton Beach

Dan Steinhoff
Coral Gables

Henry E. Thompson
Boynton Beach

Gene A. Whiddon
Fort Lauderdale

Renee Ann Wright
Dunedin

Fran L. Wyatt-Cooke
Pensacola

Georgia

Richard K. Babush
Atlanta

W. Bryan Ball, Jr.
Atlanta

J. B. Barnard
Hinesville

Edwin A. Bethea
Atlanta

Ralph Birdsong
Smyrna

D. C. Blount
Atlanta

Rutha L. Bradley
Atlanta

Larry R. Bramblett
Athens

Alan Burnham
Atlanta

Jo Carter
Norcross

Harvey Cohen
Albany

Gerald W. Crane
Decatur

Earl Crick
Valdosta

Paul A. Dangar, Jr.
Marietta

Hugh M. H. Dash
Atlanta

Sara Davis
Alma

John Dillard
Dillard

Janet L. Douglas
Atlanta

Samuel R. Dunlap, Jr.
Gainesville

Mark Fine
Atlanta

Sharon Hillary Fleming
Atlanta

W. C. Flewellen, Jr.
Athens

Stephen G. Franklin, Sr.
Atlanta

Stanley Fulwiler
Peachtree City

Frank L. Giordano
Stone Mountain

Stephen S. Green
Savannah

J. Hamilton Guillory
Atlanta

C. C. Hagy
Atlanta

Sandra Hanner
Atlanta

Robert L. Harwell, II
Atlanta

Karl Hill
Forsyth

Joseph R. Hudson
Atlanta

Edward D. Irons
Atlanta

Robert Earl James
Savannah

Dianne Harvey Johnson
Savannah

Nancy L. Johnson
Decatur

A. J. Kennedy
Atlanta

Kim King
Atlanta

Jacob S. Kornman
Atlanta

H. V. Lamon, Jr.
Atlanta

Richard Lipton
Atlanta

Margaret K. Lupo
Atlanta

Sam Massell
Atlanta

W. B. McKenna, Sr.
Savannah

D. V. Mullins
Atlanta

Jimmy D. NeSmith
Warm Springs

Solon P. Patterson
Atlanta

Lamar J. Perlis
Cordele

Barry Phillips
Atlanta

Leon L. Polstein
Atlanta

Neil L. Pruitt
Toccoa

Deborah L. Ray
Atlanta

James B. Rhoads
Atlanta

Charles R. Sanders
Macon

H. Hammond Stith
Atlanta

V. C. Sullivan, Jr.
Albany

Kenneth R. Thompson
Carrollton

C. A. Musson
North Hollywood

Edwin S. Nakamura
Emeryville

Edward M. Nakata
Rancho Palos Verdes

Elayne Nathanson
Malibu

Morten H. Nielsen
Fresno

LaVern A. Niedfeldt
Santa Cruz

Remi C. O'Connor
San Diego

Cathy O'Neill
Los Angeles

Robert F. Palmer
Newport Beach

Ronald L. Pardini
Walnut Creek

Jack Wayne Pearson
Livermore

James Pechin
Santa Rosa

Leonard J. Peliman
Lemon Grove

Lloyd Perry
Oakland

Mary Ann Petery
Selma

Charlie Piano
Vallejo

James Pinkerton
Lodi

Pat Plant
San Francisco

Earl R. Price
San Bernardino

Mary Quiroz
San Diego

Douglas J. Ramsey
Harbor City

Syliva L. Rascon
San Diego

Richard O. Rasmussen
Canoga Park

Chase R. Revel
Los Angeles

Frank M. Reid
Fullerton

Humberto R. Rivera
Los Angeles

Richard D. Robins
Los Angeles

Henry S. Rose
Los Angeles

Charles R. Rozum
Walnut

Donald E. Rumsey
Santa Clara

Maxwell H. Salter
Los Angeles

Herbert J. Sawyer
San Jose

Philip A. Schaefer
San Francisco

Phillip D. Schlosser
Cucamonga

Hans Schollhammer
Los Angeles

Gerald R. Seeman
City of Industry

Ted Short
Fox Hills

Dione Smith
Beverly Hills

George L. Smith
Richmond

Hal W. Smith
Tarzana

Woodrow Smith, Jr.
Los Angeles

Leandro P. Soto
San Rafael

Gloria H. Spungin
Los Angeles

Steven L. A. Stallings
Los Angeles

Michael D. Strongin
Los Angeles

Fred S. Studwell
Sun Valley

Don Woodrow Sturtevant
San Diego

Carole Sumner-Appel
Los Angeles

Chek F. Tan
San Francisco

Joyce M. Tan
Glendale

John L. Thousand
Santa Ana

Audrey E. Travis
South El Monte

Bradford Troutman
Van Nuys

Wilfred T. Ussery
San Francisco

Thomas M. Vail
San Jose

Shirley A. Vaine
San Diego

Robert L. Varner
Los Angeles

Yoshihiro Vchida
San Jose

Samuel J. Wallace
Oakland

D. Gary West
Modesto

Garland S. White
Van Nuys

Henry T. Wilfong, Jr.
Los Angeles

Clarence E. Williams
Sacramento

John C. Williams
Los Angeles

Claude Willis
Berkeley

Ralph M. Wood, Jr.
Redondo Beach

Ted E. Wright
Van Nuys

Harold Yee
San Francisco

Edwin V. W. Zschau
Sunnyvale

Colorado

Robert L. Alvarado
Denver

Lonnie William Arbuthnot
Lamar

Lucius A. Ashby, Jr.
Denver

Andrew R. Bartholomew
Denver

Rodney F. Benson
Boulder

Jack D. Berry
Grand Junction

Laurence Bitner
Walsh

Steven K. Bosley
Boulder

Thomas Packard Brock
Longmont

George Carlin
Greeley

William Lorton Cook
Denver

J. Frank Cordova, Jr.
Pueblo

David L. Edwards
Boulder

Gene E. Fischer
Fort Collins

Gerald T. Goodwin
Denver

Dan F. Gross
Denver

Margaret O. Harrison
Denver

Gerald Hughes
Pueblo

Bette Jackson Hurlbut
Denver

George S. Irvin
Denver

Robert W. Jackson
Denver

Don L. James
Durango

Marjorie Molloy Jansen
Golden

Walter L. Jones
Denver

Thomas Kent
Boulder

Frederick V. Kroeger
Durango

P. A. Livingston
Denver

Kenneth David Logan, Jr.
Boulder

Jose Ubaldo Lucero
Grand Junction

Glenda Wilhelma S. Lyle
Denver

Wanda Nell McBee
Fort Collins

Robert Wade Murphree
Denver

Deward R. Niehans
Colorado Springs

Jordan Obertier
Arvada

Appendix H: List of Delegates

Alabama

Hugh L. Allred
Cullman

Ramon Arias
Decatur

Jan Bates
Tuscaloosa

Wallace C. Bush, Jr.
Hope Hull

Powell Brewton
Dothan

Alan F. Clark
Birmingham

R. H. Culpepper
Cullman

Leola Early
Birmingham

Joyce B. Herring
Birmingham

Hanson H. Howard
Huntsville

William N. Ledbetter
Auburn

Rexie A. Lightsey
Sylacauga

James A. Lovell
Fairfield

E. Philip Mangum
Montgomery

Frank L. Mason
Birmingham

Patrick Raymond Lyle
Talladega

G. Ferrell Patrick
Birmingham

Lois R. Reid
Trussville

W. J. Rhodes
Montgomery

Percy Mims Rogers, Jr.
Florence

Gordon H. Shumard, Jr.
Auburn

Robin Swift
Atmore

William L. Tharpe
Birmingham

Homer J. Urquhart, Jr.
Homewood

James H. Walker
Eufaula

Alaska

Ron Bergt
Anchorage

Brad Bradley
Anchorage

Lee Elliott Fisher
Anchorage

Perry Green
Anchorage

Pete N. Jeans
Juneau

Doris Kadish
Anchorage

Frank M. Reed
Anchorage

Albert C. Swalling
Anchorage

Gerald W. Wolf
Anchorage

William Ransom Wood
Fairbanks

Jerry Lee Woods
Anchorage

Arizona

Ray T. Bailey
Tucson

Melvin H. Borovay
Glendale

J. Campbell Brandon, Jr.
Tucson

Joseph A. Castillo
Tucson

Nathan C. Collins
Phoenix

James J. Conner
Tempe

Taylor A. Day
Tucson

Danny Doyle
Nogales

Daniel W. Eckstrom
Tucson

Edward R. Feddern
Phoenix

Victor H. Frank
Phoenix

Curtis Charles Gielow
Phoenix

Jo Ann Brown Hansen
Tucson

Henry Haws
Mesa

Craig Hosterman
Phoenix

Martin J. Jacobs
Phoenix

Gay Conrad Kruglick
Mesa

Murdo L. Martin, Sr.
Scottsdale

Garnet Edward Passage
Phoenix

Kim Alan Richards
Tucson

Philip A. Robbins
Phoenix

Henry Rodriguez
McNeal

Steven W. Straw
Flagstaff

Neil F. Swaringen
Phoenix

Ross L. Tyler
Winslow

Carol E. Ward
Phoenix

Ralph A. Watkins, Jr.
Phoenix

Julia S. Zozaya
Phoenix

Arkansas

Leon L. Adams
Little Rock

John L. Anthony
El Dorado

James Beavers
Clinton

Russell O. Black
Prairie Grove

Samuel H. Blackwood, Jr.
Tuckerman

Victor L. Cary
Fort Smith

William L. Ferren
Pine Bluff

Norma June Grayson
Little Rock

Clarence A. Hamilton
Little Rock

Frank Henslee
Little Rock

Wetzel C. LaGrone
Russellville

John Perry Lee
Clarendon

Brenda Perciful
Little Rock

Raymond A. Pritchett, Jr.
Maumelle

Pat M. Riley
Little Rock

Albert H. Rusher
Brinkley

Ben P. Talbot, Sr.
Magnolia

Sterling Woodward Tucker
Little Rock

Robert M. Twyford
Batesville

Charles F. Watts
Van Buren

Fred J. Weaver
North Little Rock

R. J. Wills
Little Rock

Lucille Wilson
Malvern

California

George J. Adams
Los Angeles

La Verda O. Allen
Oakland

Monte Alexander
Los Angeles

Renette Delores Anderson
Los Angeles

Appendix G: Conference Staff

At the time of the National Conference in January 1980, the White House Conference on Small Business was served by a staff representing a variety of work experiences and geographical backgrounds. (Those persons indicated by an asterisk served on the Conference staff through contractual arrangement or on detail from another government agency or private business.)

Staff Leadership

Michael K. Casey
Director
Wheeling, West Virginia

Sarah M. Cooper
Director of Conference Logistics
Washington, D.C.

John Y. Devereaux
Staff Director
Le Mars, Iowa

Doris Dozier-Crenshaw
Director of Minority Affairs
Montgomery, Alabama

Robert L. Firth
Deputy Director, Delegate Relations
Roanoke, Virginia

Heidi A. Hanson
Director of Commission Liaison
Birmingham, Alabama

John W. Henderson
Congressional Liaison Director
Fairfax, Virginia

John R. Kirkland
Director of Research and Policy
Marianna, Florida

James V. Manning*
Director of Delegate Relations
Atlanta, Georgia

Linda Sundro
Deputy Director, Research
Washington, D.C.

Administrative Staff

Janet de Michaelis
Corona del Mar, California

Vicki Engelmann
Sloan, Iowa

Brent Glading
Arlington, Virginia

Rhoda Gorman
Silver Spring, Maryland

Mamie A. Hill
Chicago, Illinois

Elinor Ann Janous*
Fairfax, Virginia

Mindy Janous
Fairfax, Virginia

Daniel J. Juarez
Albuquerque, New Mexico

Fran Keith
Little Rock, Arkansas

Shirley Elise Macon*
Washington, D.C.

Cheryl Ann Puryear*
Washington, D.C.

Rose L. Walker*
Arlington, Virginia

Pixie Westhoven
Chevy Chase, Maryland

Anita Wiesman
Alexandria, Virginia

Patrick H. Williams
Washington, D.C.

Delegate Liaison Staff

Michele Greco Boldt*
Alexandria, Virginia

Doug Brown
Iowa Falls, Iowa

Pam Brown
Charlotte, North Carolina

John M. Carlin*
Washington, D.C.

Don M. Currin*
Atlanta, Georgia

Gene L. Graves*
Annandale, Virginia

Helen Hall*
Jackson, Mississippi

Mary A. Jeffcoat
Washington, D.C.

Anna J. Jenkins*
Silver Spring, Maryland

Harolyn S. Landow
Washington, D.C.

Gary Pell*
Pittsburgh, Pennsylvania

William L. Rogers*
Darien, Connecticut

Anthony Salzman*
New York, New York

Thomas R. Stadler*
Dayton, Ohio

Appendix D:
Regional Delegate Caucuses

October 3	Philadelphia	October 19	Kansas City
October 5	Boston	October 23	Chicago
October 10	New York City	October 26	Denver
October 12	Atlanta	October 30	Los Angeles
October 16	Dallas	November 2	Seattle

Appendix E:
The Conference Agenda

<table>
<tr><th></th><th>Sunday
January 13</th><th>Monday
January 14</th><th>Tuesday
January 15</th><th>Wednesday
January 16</th><th>Thursday
January 17</th></tr>
<tr><td>8 a.m.</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>9</td><td></td><td>Introductory Issue Sessions</td><td>Introductory Issue Sessions</td><td>Synthesis Sessions: Monday Issue Workshops</td><td rowspan="2">Closing Plenary Session</td></tr>
<tr><td>10</td><td></td><td></td><td></td><td></td></tr>
<tr><td>11</td><td rowspan="2">Special Topic Discussion</td><td rowspan="2">Issue Workshops</td><td rowspan="2">Issue Workshops</td><td rowspan="2">Synthesis Sessions: Tuesday Issue Workshops</td><td></td></tr>
<tr><td>12 noon</td><td></td><td></td></tr>
<tr><td>1 p.m.</td><td></td><td>Luncheons</td><td>Luncheons</td><td rowspan="3">• Delegate Forum
• Special Topic Discussion
• White House Conference Exposition</td><td></td></tr>
<tr><td>2</td><td rowspan="4">• Registration
• White House Conference Exposition</td><td rowspan="2">• Issue Workshops
• Public Forum
• White House Conference Exposition</td><td rowspan="2">• Issue Workshops
• White House Conference Exposition</td><td></td></tr>
<tr><td>3</td><td></td></tr>
<tr><td>4</td><td></td><td></td><td></td><td></td></tr>
<tr><td>5</td><td></td><td></td><td></td><td></td></tr>
<tr><td>6</td><td></td><td>Special Topic Discussions</td><td>Special Topic Discussions</td><td></td><td></td></tr>
<tr><td>7</td><td>Welcome Reception</td><td rowspan="3">Corcoran Gallery of Art Reception</td><td rowspan="3">White House Tour</td><td rowspan="3">Delegate Banquet</td><td></td></tr>
<tr><td>8</td><td rowspan="2">Opening Plenary Session</td><td></td></tr>
<tr><td>9</td><td></td></tr>
<tr><td>10</td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

Women in Business

Chair:
Joanne McCrea
Consultant
Montpelier, Vermont

Commissioner:
Louise Saunders

Members:
Patricia T. Carbine
Ms. Magazine
New York, New York

Thelma Cromwell-Moss
AA Glassmobile, Inc.
Dorchester, Massachusetts

Bruce Enderwood
Baskin-Robbins
Burbank, California

Mary Houghten
South Shore Bank
Chicago, Illinois

Marlene Johnson
Split Infinitive, Inc.
St. Paul, Minnesota

Linda L. Kohler
Florida Containers, Inc.
Sebring, Florida

Barbara Gardner Proctor
Proctor Gardner Advertising Agency
Chicago, Illinois

Elva Quijano
Plaza Bank
San Antonio, Texas

Charlotte Taylor
Consultant
Washington, D.C.

Government Regulations and Paperwork

Chair:
Robert Krueger
New Braunfels, Texas

Commissioners:
Ann M. Davis
Shepard Lee

Members:
Donald Alexander
Morgan, Lewis & Bockius
Washington, D.C.

James C. Calaway
Southwest Minerals, Inc.
Houston, Texas

Ruben C. Estrada
National Economic Development Assn.
Tucson, Arizona

Ralph Murray
IDL, Inc.
Pittsburgh, Pennsylvania

Edward H. Richard
Magnetics International
Maple Heights, Ohio

William Ruckelshaus
Weyerhauser Corp.
Takoma, Washington

Paul Verkuil
Tulane University Law School
New Orleans, Louisiana

Margaret Scarbrough Wilson
Scarbrough's Department Store
Austin, Texas

Economic Policy Development and Government Programs

Chair:
Howard Samuels
Howard Samuels Enterprises
New York, New York

Commissioner:
Margaret Sutherland Hansson

Members:
Sam Beard
National Development Council
New York, New York

John Bowles
Kidder, Peabody & Co., Inc.
New York, New York

James L. Hayes
American Management Association
New York, New York

Jay S. Kamen
Coopers & Lybrand
Boston, Massachusetts

Thomas S. Kleppe
Bethesda, Maryland

Paul Kolton
Financial Accounting Standards
Advisory Council
Stamford, Connecticut

William C. Norris
Control Data Corp.
Minneapolis, Minnesota

William Pound, Dean
Sloan School of Management
Massachusetts Institute of Technology
Cambridge, Massachusetts

Frank Savage
The Equitable Life Insurance Society
New York, New York

A. A. Sommer, Jr.
Wilmer, Cutler & Pickering
Washington, D.C.

Albert T. Sommers
The Conference Board
New York, New York

Ernest Walker
University of Texas
Austin, Texas

Emily Womach
The Women's National Bank
Washington, D.C.

International Trade

Chair:
Thomas M. Rees
Attorney at Law
Washington, D.C.

Commissioner:
Tom Chan

Members:
J. Hallam Dawson
Crocker Citizens Bank
San Francisco, California

Charles B. Dorf
Dorf International Ltd.
New York, New York

Stanley Epstein
Anglo-American Aviation Co.
North Hollywood, California

Marshall Frankel
Marshall International Trading Co.
Skokie, Illinois

Edward Gaffney
Ortho-Kenetics
Waukesha, Wisconsin

Rayton Gerald
Minority Equity Capital Co., Inc.
New York, New York

Frank Ladue
McCracken Concrete Pipe Machinery Co.
Sioux City, Iowa

Appendix C: Task Forces

Capital Formation

Chair:
Edgar F. Heizer, Jr.

Commissioner:
Sheldon Lubar

Members:
Richard Cummings
Alliance Enterprises Corp.
Philadelphia, Pennsylvania

Marvin Dickman
Arthur Andersen & Co.
Chicago, Illinois

William R. Hambrecht
Hambrecht & Quist
San Francisco, California

Garnet Keith
Prudential Insurance Co. of America
Newark, New Jersey

Bruce A. Mann
Pillsbury, Madison & Sutro
San Francisco, California

Gerald Mehlman
Kaplan, Livingston, Goodwin, Barkowitz & Selvin
Beverly Hills, California

Edward H. Pendergast
Hurdman and Cranstoun
Boston, Massachusetts

Marion Sandler
Golden West Financial Corp.
Oakland, California

Dean Treptow
Brown Deer Bank
Brown Deer, Wisconsin

John S. Wadsworth
Morgan Stanley & Co., Inc.
New York, New York

Minority Business Development

Chair:
John Procope
New York Amsterdam News
New York, New York

Commissioner:
A. Maceo Walker, Sr.

Members:
Berkeley Burrell
Booker T. Washington Foundation
Washington, D.C.

Earl Graves
Black Enterprise Magazine
New York, New York

Ragan Henry
Attorney at Law
Philadelphia, Pennsylvania

Jesse Hill, Jr.
Atlanta Life
Atlanta, Georgia

Eugene Jackson
National Black Network News
New York, New York

George Johnson
Johnson Products
Chicago, Illinois

William J. Kennedy III
North Carolina Mutual Insurance Co.
Durham, North Carolina

Walter McMurtry
Independence Capital Formation, Inc.
Detroit, Michigan

Lyle Marshall
Drummond Distributing Co.
Compton, California

Ernesta Procope
E. G. Bowman Co.
New York, New York

Charles Reynolds
Atlantic National Bank
Norfolk, Virginia

Hector Vasquez
Jamaica, New York

Inflation

Chair:
William D. Barth
Arthur Andersen & Co.
Chicago, Illinois

Commissioner:
Dale Sights

Members:
Elaine W. Donaldson
Donkirk Tool Supply, Inc.
Covina, California

William C. Dunkelberg
Purdue University
West Lafayette, Indiana

Richard Rahn
The American Council for Capital Formation
Washington, D.C.

Mark Rollinson
Dykema, Gossett, Spencer, Goodnow & Trigg
Washington, D.C.

John M. Waltersdorf
Tri-State Electric
Hagerstown, Maryland

Valerie Yeager
American Research and Development
Boston, Massachusetts

Appendix A: White House Press Release Announcing the Conference

For Immediate Release April 6, 1978

Office of the White House Press Secretary

THE WHITE HOUSE

The White House today announced that the President will call a White House Conference on Small Business, to be held in Washington during the fall of 1979.

The week-long conference will bring together several hundred representatives of small business from across the country, to be selected during regional meetings. They will hold discussions together, and with Administration officials, to exchange ideas and develop recommendations to submit to the President.

The Conference was announced by A. Vernon Weaver, Administrator of the Small Business Administration, and Senator Gaylord Nelson (D-Wisc.), chairman of the Senate Small Business Committee.

The President acted on a Senate Resolution and at the requests of Weaver and Nelson. Senator Nelson was instrumental in the resolution's development and its passage in the Senate.

Weaver praised the contributions of both the Senate Small Business Committee and the House Small Business Committee, chaired by Rep. Neal Smith (D-Iowa), for their continuing efforts on behalf of small business.

In a letter to Senator Nelson, the President stated that "such a conference can help us identify the many special problems facing small business and design an agenda that addresses them in a constructive way."

* * *

The following is the text of the President's letter to Sen. Nelson:

To Senator Gaylord Nelson

I have carefully reviewed your October 1976 memorandum recommending a White House Conference on Small Business, as well as the additional memorandum of last autumn. This material and our recent discussion have satisfied me that such a conference would be very constructive for the nation's 14 million small and independent businesses. Therefore, I intend to call a White House Conference on Small Business, as suggested by Senate Resolution 105 which you authored.

I believe such a conference can help us identify the many special problems facing small business and design an agenda that addresses them in a constructive way. As you know, the 14 million small businesses represent a much larger part of our economy than is commonly recognized. They account for over 50% of all private employment, 43% of the gross national product and over half of all inventions.

You have been a leader in devising ways to help this important sector of our economy grow and prosper. Administrator Vernon Weaver of the Small Business Administration will be working closely with you in preparation for the White House Conference.

Sincerely,

JIMMY CARTER

14. U.S. Small Business Administration Annual Report FY 1978.

15. "Future of Small Business in America," A Report of the Subcommittee on Antitrust, Consumers & Employment, Committee on Small Business, U.S. House of Representatives, November 9, 1978, pp. 6-7.

16. Figures for FY 1979, Office of Procurement, U.S. Department of Energy.

17. "Science Indicators," National Science Foundation, 1979.

18. "Technological Innovation, Its Environment and Management," Report of the Panel on Invention & Innovation to the Secretary of Commerce, U.S. Department of Commerce, January 1967, p. 18.

19. "National Patterns of R&D Resources. Funds and Personnel in the United States, 1953 through 1978-79," National Science Foundation, 1979.

20. Report of the Commissioner of Patents & Trademarks, FY 1979, U.S. Department of Commerce.

21. Data from International Trade Administration, U.S. Department of Commerce, 1980.

22. *Ibid.*

23. "Survey of Business Needs in Export Marketing—Survey of Federal and Non-Federal Sources of Assistance," U.S. Department of Commerce, March 1978.

24. Interagency Conference Report, Small Business Administration, 1979.

25. "Small Enterprise in the Economy," Small Business Administration, December 1978.

26. "Quarterly Financial Report," Federal Trade Commission, 3rd Quarter, 1979.

27. "1976 Preliminary Statistics of Income, Corporation Income Tax Returns," Internal Revenue Service, June 1979.

28. FTC Report, note 26 above.

29. Data from International Trade Administration, U.S. Department of Commerce, 1980.

30. "Survey of Current Business," Bureau of Economic Analysis, U.S. Department of Commerce, March 1980.

31. 1974 ADR Data, Office of Industrial Economics, U.S. Department of Treasury.

32. "The Challenge of Regulatory Reform," Report of the Domestic Council Review Group, Executive Office of the President, January 1977.

33. Murray L. Weidenbaum, "The Future of Business Regulation: Private Action and Public Demand," AMACOM, 1979, p. 23.

34. Kenneth W. Chilton and Murray L. Weidenbaum, "Small Business Performance in the Regulated Economy," Working Paper #52, Center for the Study of Small Business, Washington University (St. Louis, February 1980), p. 1.

35. *Ibid,* pp. 16-17.

36. "The Effects of Domestic Policies of the Federal Government upon Innovation by Small Businesses," *Advisory Committee on Industrial Innovation Final Report,* U.S. Department of Commerce, September 1979, p. 257.

37. "Government Paperwork and Small Business: Problems and Solutions," Office of the Chief Counsel for Advocacy, U.S. Small Business Administration, December 1979.

38. Office of Management Assistance, U.S. Small Business Administration, from Dun & Bradstreet studies.

39. "Minority-Owned Businesses," Special Reports MB 72-4, Bureau of the Census, U.S. Department of Commerce, 1975.

40. Hearings before the Subcommittee on General Oversight & Minority Enterprise, Committee on Small Business, U.S. House of Representatives, February 19, 1980.

41. "Current Population Report P-60," Bureau of the Census, U.S. Department of Commerce, November 1979.

industries, regions, backgrounds, and interests, and they reached their conclusions in 134 separate Conference workshops. The final recommendations reflect that diversity. Some of the options appear to be in conflict with one another, specifying different measures to achieve the same ends or proposing to vest equivalent powers in different agencies; some recommendations press for less government spending and less government interference in small-business operations, while others seem to request more. Moreover, the Commission recognizes that some of the proposals may be less politically and economically feasible than others in today's inflation-battered environment.

But it is not these contradictions, in the Commission's view, that should weigh in the consideration of federal policy. Rather, it is the aims, the frustrations, and the desires underlying the delegates' recommendations. Those messages form the true "sense of the Conference," and they convey the principal themes that the Commission has sought to underscore.

Ultimately, what is most important is that Small Business in America has been neglected for too long, and now it is suffering unparalleled difficulties that are sapping the vitality of the nation. The objective for policymakers must be to alleviate those difficulties, not just for the benefit of the owners and operators of small businesses but for the future of the nation as a whole. In that regard, the achievements of the Conference, taken together, constitute an unqualified plebiscite for action.

The Commission thus strongly endorses the call of President Carter for representatives of the Conference to convene in 1982, in order to monitor the progress of implementation and to evaluate recommendations in the light of changing economic conditions. And it respectfully requests the Administration's assistance to ensure that the 1982 gathering will be as vigorous and constructive as the 1980 White House Conference on Small Business so triumphantly proved to be.

program utilizing the cultural, language and political expertise of all Americans, especially ethnic groups, to assist in preparing, implementing and utilizing a sales package for use in expanding International Trade in all world markets.

The key element in this proposal is the use of trade fairs and exhibits to familiarize foreign buyers with the products of small U.S. companies. Many small-business people around the country have hailed such exhibits by the Commerce Department as the most effective way to promote their goods and services. The cost of participating, however, can be prohibitive to small exporters. Federal support could take the form of reasonable rent for exhibit space and perhaps low-interest loans to cover transportation and hotel costs.

Also, this recommendation reflects the delegates' belief that, because customs and business practices differ from country to country, the U.S. government should draw upon Americans of varying ethnic backgrounds to develop overseas marketing techniques tailored to different nations—techniques that small U.S. exporters could then adopt in their own marketing programs.

Education, Training, and Assistance

It is a commonplace of economics that small businesses suffer considerable instability and a high rate of failures. Many new companies go out of business within five years, often due to lack of managerial expertise (page 32).

Owners of small businesses are sometimes desperate for assistance. But most private programs are geared to develop corporate executives. And public programs for small-business men and women that are currently available—such as those provided by the SBA—are limited and reach only a fraction of the entrepreneurs in need. For example, the government's Office of Personnel Management spends more money training civil servants each year than the cumulative total of SBA's budget for education and training since the agency was established in 1954.[58]

Part of the problem is that the SBA is an extremely small government agency. Although it has 96 offices around the country, the agency's entire staff numbers only 4,490 employees. The staff concentrates mostly on financial and procurement assistance for small businesses, and the agency has tried to provide management assistance mostly through universities and volunteers from the private sector.

The SBA currently has five training and assistance programs. Its Small Business Institute relies on universities and sends out graduate students in management to help small companies. For the past few years it has also experimented with pilot Small Business Development Centers at 16 state universities. It has two programs using volunteers to advise small-business owners. One is SCORE, the Service Corps of Retired Executives. The other, a much smaller program, is ACE, the Active Corps of Executives. The last—and the only arrangement that is fully funded by the SBA—is its call-contracting program, under which the agency contracts with private management consultants who are on call for trouble-shooting assignments to help specific small companies in particularly dire straits.

The subject of education, training, and assistance was added to the Conference agenda at the request of the delegates. Unfortunately, the delegates had limited time to develop specific proposals.

Nevertheless, the workshops produced some clear themes. One is the need for a systematic, national program of education to encourage entrepreneurship, one that would entail not only initial education but also continuing management assistance and some means to update specific skills. In general, the delegates expressed a strong desire for assistance from the private sector instead of from government. Closely allied to education, in the delegates' view, is the need to improve public awareness of the problems and potential of small business.

Recommendation 56: *A Small Business Educational Task Force for entrepreneurial educational training shall be appointed by the President and coordinated by the Office of Advocacy. Task Force members shall come primarily from small business to initiate, promote and develop the incentives for demographically, projectionable, formal, business planning and case history-type continuing education and public awareness (through all media) in small business. Mandate to the Task Force shall be to come up with self-liquidating (pay for themselves) programs for the benefit of small business. This should be achieved within 120 days.*

national policy to provide direct assistance to U.S. exporters and to reduce domestic and foreign barriers to U.S. trade. The proposals emphasized more export credit and larger export promotion programs by the Commerce, Agriculture, and State Departments, fewer government-imposed disincentives such as export controls for foreign policy purposes, and clarification for exporters of the Foreign Corrupt Practices Act, the National Environmental Policy Act, and the antitrust laws.

The program has already resulted in an SBA/Eximbank revolving credit pilot program and in a concerted effort by Commerce, SBA, Eximbank, and the Overseas Private Investment Corporation to educate small-business people about export opportunities at field conferences held around the country.

Meanwhile, numerous tactical measures to help small exporters are included in eight congressional bills—H.R.3895, S.2040, S.2104, S.864, S.1499, S.1663, S.918, and S.1744.

At the Conference, delegates concerned about international trade discussed a wide variety of measures, from ways to focus national policy to specific tax incentives to stimulate small-business trade in foreign markets. They considered more favorable tax treatment for U.S. citizens living abroad so that small companies could afford to station employees in foreign markets. They proposed federal grants to establish local or regional organizations such as Massachusetts' MASSPORT program. And they discussed more representation for Small Business on such government policy groups as the President's Export Council.

Their final recommendations focused on tax measures, better loan and educational programs, greater use of trade exhibits, and a more organized government approach to export programs.

Recommendation 51: *Congress should broaden the tax deferral options of the Domestic International Sales Corporation and provide for the development of an American Trading Company which would automatically qualify as a DISC. Tax deferral options should include the following additional provisions for DISCs: (1) allow for deduction of twice the monies expended for participation in any bona fide overseas trade fair by a DISC; (2) allow for the deduction of twice the amount of premiums paid to Eximbank and FICA, as legal deductions prior to payment of DISC taxes; (3) increase the $100,000 exemption clause to $500,000; (4) provide for a graduated tax on "deemed distribution" from $500,000 for $50 million, and a standard rate of 50% levied on over $50 million; (5) exempt new DISCs from any "deemed distribution" requirement for at least the first three years of operation; and (6) provide for the elimination of existing incremental provision of DISC regulations. Congress should provide within the tax structure an "Exporter's Allowance" or tax deduction which would apply in the trade of all goods abroad by granting an allowance for 75% of the marketing expenditures incurred by the exporter.*

This recommendation received the most votes of any of the five International Trade options. It is really three separate proposals. One is to make six changes in the rules governing DISCs. One is to encourage exporters to set up American Trading Companies along the lines of trading companies in other countries. The third is to offer special tax deductions called an "exporter's allowance" to companies that export directly without using the DISC structure.

All of these proposals are discussed at length on page 33. Each would require specific legislative amendments to the tax code and, in the case of American Trading Companies, revisions in the antitrust laws.

Recommendation 52: *Eximbank should establish a special small business funding program through commercial banks, and should consider discounting loans to support international sales and should develop a cooperative program with the SBA for pre-export financing.*

This recommendation proposes three different loan programs. Under the first, commercial banks would advance monies under a guarantee from Eximbank and the Foreign Credit Insurance Association. As in the SBA's bank certification program (page 81), the banks would evaluate credit worthiness and process the loans, thus eliminating government involvement. As a result, export financing would be spread through the local level instead of being concentrated in Washington and the major money-market centers.

Under the second program, Eximbank would make direct loans to small exporters that would be discounted to compete with the favorable loan rates provided by other nations to their exporters.

The third program—SBA loans to help a small company start exporting—would be similar to SBA

Recommendation 47: *The Office of Advocacy must be maintained, reinforced and expanded so that activity be not less than 5% of the SBA salary and expense budget. The legislative mission of Advocacy must be considered the number one priority of SBA and the Office of Advocacy. The independence of that function of the Office of Advocacy must be protected so that it may continue to have the confidence of the small business community. SBA's Advocacy budget should be devoted to economic research and analysis, as well as, small business advocacy. Small business advocates, under the direct supervision of the SBA Office of Advocacy, shall be assigned to OMB, Federal Reserve Board Treasury, International Trade Policy Committee and other regulatory agencies.*

On the delegates' ballots, this recommendation ranked tenth among the top-priority items. It amounts to a strong endorsement of the SBA's Office of Advocacy, which was not created until 1975 but has developed increasing influence among federal agencies and legislators on Small Business' behalf. Many of the elements of this proposal coincide with those in Recommendations 49 and 50.

The measures included in this recommendation could be implemented by administrative changes within the SBA or by Executive Order.

Recommendation 48: *The merger and acquisition antitrust laws should be amended to: (1) inhibit monopoly and conglomerate growth of giant companies, provided safeguards are built in to protect the needs of small business, (2) prohibit dual distribution that adversely affects wholesalers, distributors, dealers, retailers, and franchises; and (3) prevent the termination of non-renewal of wholesalers, distributors, dealers, retailers and franchisees without good legal cause.*

Presumably, the legislation to fulfill the aims of this recommendation already exists. The Sherman Antitrust Act of 1890 and the Clayton Act of 1914 were written to inhibit industrial concentration that reduced competition. The Robinson-Patman Act of 1936, which came to be known as the "Magna Carta of Small Business," is the legislation applicable to parts (2) and (3) above. The act specifically addressed discriminatory pricing by big suppliers and big customers that cut small companies out of the marketplace.

Many small-business owners, however, feel that the act has lost its effectiveness over the years. They want legislation that would give antitrust efforts new teeth, but they do not want to foreclose opportunities for owners of small companies to sell equity to larger corporations.

Recommendation 49: *The SBA should be directed to implement the following changes:*

(a) The duties of the Administrator of the SBA shall include the additional function of chairing a new group, within the Executive Branch, to be known as the "Economic Policy Planning Committee for Small Business" to advise the President of small business matters. The new committee shall consist of the following: high level representatives of the Department of Commerce, Treasury, and Council of Economic Advisors.

(b) The SBA Bank Certification Program should be expanded so that the SBA can devote more of its resources in terms of personnel and funding to small business advocacy.

(c) The Office of Advocacy must be maintained, reinforced and expanded so that activity be not less than 5% of the SBA salary and expense budget. The independence of the function of the Office of Advocacy must be protected so that it may continue to have the confidence of the small business community. Small Business Advocates should be assigned to OMB, the Federal Reserve Board, the Treasury Department and regulatory agencies, under general guidelines from the Office of Advocacy of the SBA.

There are three elements in this recommendation, which together add up to a request for a greater overall role for the SBA, its Administrator, and its advocacy function.

The first describes a small-business economic policy committee similar in its membership to the Steering Committee of the Economic Policy Group, except that this committee would be chaired by the SBA Administrator.

The second relates to a pilot program in which banks instead of the SBA determine which small-business applicants qualify for SBA loan guarantees (page 81). The banks, rather than the SBA, would then handle the paperwork involved in processing the loans. The aim of the pilot program is to speed up the lending procedure, but it would also have the effect of freeing a great deal of the SBA's time and budget for other pursuits. The delegates feel strongly that the money and personnel should be shifted to advocating small businesses' interests in other areas of government.

The third element in the recommendation is a

Recommendation 42: *Small Business should be eligible for magistrate review of agency civil penalties, and reimbursed for court costs, reasonable attorney's fees, and damages from administrative action, if successful in civil disputes with the Federal Government, including IRS.*

(a) Such costs and fees to come from the operating budget of the agency.

(b) Magistrates will be appointed and be responsible to the judges in each Federal Judicial District.

(c) With burden of proof on the agency to defend its action.

Delegates voted this proposal number 12 on their list of 15 top-priority measures. A full explanation of each point in the recommendation can be found on page 31. Currently, each agency has its own system for adjudicating claims or penalties, which is often so complicated that small companies frequently accede to an agency's demands solely to avoid the cost and time required to challenge a ruling.

The recommendation would require two legislative changes. One, to expand the jurisdiction of federal magistrates to decide disputes between small companies and federal agencies, is embodied in H.R.5103 and S.615. The second, involving the reimbursement of legal fees and court costs, is included in H.R.2846, S.1444, and S.265, which already has passed the Senate.

"As the delegates envisioned it, OMB would be a kind of traffic cop coordinating requirements and negotiating conflicts among agencies."

Recommendation 43: *The Office of Management and Budget should be designated the lead agency for both Federal regulations and paperwork of all agencies and programs (specifically including IRS), with responsibility for forms clearance, paperwork reduction, simplification and elimination; coordinating regulations and cost control oversight; requiring agencies to submit to OMB an economic analysis measuring administrative compliance costs, particularly for small business, of all proposed regulations and paperwork.*

In many respects, OMB could effectively monitor regulatory reform, for it understands how different federal agencies operate and can exert considerable influence through its budget-making operations. As the delegates envisioned it, OMB would be a kind of traffic cop coordinating requirements and negotiating conflicts among agencies.

But to be effective, OMB—which is part of the executive branch—would have to have jurisdiction over independent agencies as well as executive agencies. Bringing independent agencies under OMB's purview would require new legislation.

Recommendation 44: *All Federal agencies should have the power to implement a tiered system of regulation. This should include the power to minimize and exempt small business from various regulations and reporting requirements as well. All new regulations should be designed to take into account the size and nature of the regulated business. All present regulations should be reviewed to see if they are still required.*

Although stated in general terms, this recommendation represents the long-term goal of the small business community (page 31). The concept of "tiering" is also included in Recommendations 29, 45, and 46. The approach is being tested by executive agencies as a result of an Executive Memorandum issued in November 1979. It is also the thrust of S.299 and H.R.4660.

Again, this recommendation has two components. The first, like Recommendation 6 and 26, would establish mandatory percentage shares of federal procurements and grants to states and municipalities (page 34). It would involve substantial increases in paperwork and staff at every contracting agency, particularly the SBA, the General Services Administration, and the Defense Department. No legislation is pending on this matter.

The second thrust is to offer prime contractors on government projects a cash incentive for subcontracting to women-owned businesses (page 36). Such a measure would require either congressional action or an Executive Order. The Interagency Committee for Women's Business Enterprise is circulating a proposal along these lines among government agencies.

Recommendation 38: *The Small Business Administration should identify existing public and private management training programs, evaluate their effectiveness for women entrepreneurs and increase funding to those found to be effective.*

The SBA already provides funds for training women in business through such programs as its Small Business Development Centers, the American Women's Economic Development Corporation, and the American Association of Community and Junior Colleges. The delegates would like to have alternative training programs with more funding.

Recommendation 39: *Evaluate all Federal government employees in positions which impact on women and minorities, particularly loan officers, procurement officers and management assistance officers, in part on the basis of their performance on behalf of women and minorities.*

The aim of this recommendation is to make government employees more accountable to the citizens they serve. A method could be developed by the Office of Personnel Management and applied at every government agency with relatively little expense, since personnel departments already evaluate employees in other ways.

Recommendation 40: *The Small Business Administration shall establish a bonding program that permits the waiver of bonding requirements for Federal contractors who are small business owners. This program shall be available to all small business owners who have been:*

(1) unable to obtain bonding from other source, and

(2) certified as competent by the SBA.

Obtaining surety bonds is one of the biggest difficulties for new and small companies that want to fulfill federal contracts and subcontracts (page 66). The purpose of this recommendation is to provide alternatives for small contractors who cannot get bonds in conventional ways. Under this proposal, the ability of a small business to fulfill a contract would in effect be insured by the SBA instead of by a private company.

Government Regulations and Paperwork

When small-business people talk about wanting less government interference in their operations, the area that they emphasize most is regulations and paperwork. Proliferating rules and mountains of forms have become such a headache even to government itself that hundreds of congressional and executive proposals have emerged in the past couple of years to cut back on the workload. Many of these, along with their relevance to small businesses, are explained on pages 29-31.

So many steps have been taken by individual agencies that only a few can be enumerated here. The SBA's Office of Advocacy, although it has no direct enforcement powers, is trying to serve notice on regulatory agencies when proposed rules have a direct impact on small companies. The Office of Advocacy has also undertaken a massive attempt to catalogue and computerize, for cross reference, the paperwork burden of numerous small businesses.

The Department of Commerce is compiling its own regulations into a computerized index and is also analyzing the effect of regulations on selected industrial sectors of the economy. The Environmental Protection Agency has taken the lead in trying to measure quantitatively the costs and benefits of regulation, a difficult task in the EPA's health and safety field. The Treasury Department, whose Internal Revenue Service generates about 78% of government paperwork, has established a Small Business Advisory Committee to relay small com-

> **Women feel that the traditional business community is not yet ready to accept them on an equal footing.**

of energy in the private sector, until the U.S. is energy self-sufficient. Small business should have tax exemptions and appropriate set-asides.

Under this recommendation, government should plow back all revenue from the recently-enacted windfall profits tax on major oil companies into research and development, exploration, and production of more fuel. The delegates were concerned that energy tax revenues would be used for social and other federal programs. Tax exemptions and set-asides for small companies are a follow-up to the principle proposed in the previous recommendation.

This proposal would require amendments to the windfall profits tax legislation.

Recommendation 33: *The U.S. Government shall encourage the immediate expansion of nuclear and coal-powered electric generating capacity. Research efforts directed toward power technology should be expanded.*

This recommendation received the most Conference votes of any energy proposal, finishing twenty-first in the balloting. It essentially endorses present trends in national energy policy. Many steps in these directions have already been undertaken, particularly conversion of power plants from oil to coal.

Recommendation 34: *Congress should encourage substantial direct and investment tax credits for the implementation of all forms of conservation and alternative energy. Additionally, investments of up to $150,000 per year should be expensed.*

The delegates were enthusiastically willing to reduce energy waste by installing conservation devices. But they were equally strong in their contentions that such efforts should not put a serious financial strain on their companies.

This recommendation proposes to reduce that strain through tax credits and an immediate write-off of smaller investments in energy-saving equipment. These would require legislative amendments to present Internal Revenue Service Conservation Tax Credit regulations.

Recommendation 35: *Action should be taken to immediately remove price and allocation controls on crude oil and all petroleum products.*

The participants in the energy workshops were deeply concerned that controls on energy prices and fuel allocation would severely impair small businesses' operations. Basically, this recommendation endorses Administration proposals currently before Congress.

Women in Business

Although women constitute 48% of the work force,[57] they own only a fraction of America's businesses. Census data for 1977 show that women owned 4.8% of U.S. businesses and accounted for only 1% of total business receipts. Roughly 98% of women-owned businesses were sole proprietorships, many of them eating-and-drinking establishments, retail shops, and food stores and markets. Almost half were tiny, with sales of less than $5,000 per year.

Women feel that the traditional business community is not yet ready to accept them on an equal footing and that they suffer cultural disadvantages operating in a male-dominated environment. They have difficulty entering markets and obtaining commercial loans, government contracts, and management assistance. Nevertheless, increasing num-

Economic Policy and Government Programs. In this instance, it applies only to procurement regulations.

Recommendation 30: *Congress should also adopt legislation establishing separate mandatory goals for all federal procurements and federal funds or grants to states, localities, and public and private institutions on a contract by contract basis or agency-wide basis for small business (35%), minority-owned (Black, Hispanic, Native American, Asian Pacific American or other racial minorities) businesses (15%), and women in business (10%).*

This recommendation duplicates Recommendations 6, 37, and in a more specific vein, 26.

"Small companies drill 90% of the wildcat wells, discover 75% of new domestic fields, and account for 55% of new oil and gas reserves."

Energy

Small companies include producers as well as consumers of energy, which makes energy a vital issue on two counts.

On the one hand, small businesses are often the first businesses to be hit, and the ones hit the hardest, by fuel shortages, price increases, and regulatory actions. A study by the National Federation of Independent Business (NFIB) demonstrates that a small company with $50,000 in annual sales spends four times as much per sales dollar for energy as companies with $1 million or more in sales[52]—which means that the small company has a difficult time raising prices to absorb the additional cost without making its products uncompetitive.

On the other hand, small producers play prominent roles in America's energy industries. Despite widespread publicity about the dominance of major oil companies, small companies drill 90% of the wildcat wells, discover 75% of new domestic fields, and account for 55% of new oil and gas reserves.[53] More than three-quarters of the nation's gasoline is distributed by 12,000 oil jobbers[54] and 175,000 independent service-station operators,[55] while home heating oil is almost entirely marketed by companies with fewer than 20 employees.[56]

Small businesses are significant factors, as well, in the production of energy from other sources and in the development of energy-saving techniques. Small companies have always been crucial to innovation in energy fields. Since Ben Franklin dis-

the SBA has earmarked $25 million in loans for veterans, or about 7% of the dollar amount of its total loans.[50]

No data are available on veterans' share of procurements. Earmarking a percentage of procurements for a particular group, however, is also included in Recommendations 6, 26, 30, and 37 involving women and minorities.

Recommendation 24: *All legislation on regulations affording special treatment for women, minorities, the socially and economically disadvantaged or other special groups, should be amended to also provide priority for qualified veterans, including disabled veterans. Qualified veteran status alone shall entitle the veteran to equal treatment and inclusion in any such category or class.*

This recommendation reflects, in general terms, the desire of some veterans to receive priority treatment on a par with women and minorities. As worded, however, it is not clear who "qualified" veterans would be. Present law implies priorities for veterans but does not specifically regard them as socially or economically disadvantaged. No further congressional or executive proposals relating to this issue currently exist.

Recommendation 25: *SBA regulations shall include all disabled and/or Vietnam veterans in their definition of "socially and economically disadvantaged."*

This is a more specific version of the previous recommendation. It specifies disabled and Vietnam veterans and applies solely to the SBA. It would involve administrative changes at SBA rather than new legislation.

Federal Procurement

In the Small Business Act of 1953, Congress specifically stated that:

> The Government should . . . insure that a fair proportion of the total purchases and contracts or subcontracts for property and services for the Government (including but not limited to contracts or subcontracts for maintenance, repair, and construction) be placed with small-business enterprises.

"Small Business' share of procurement dollars has fluctuated erratically, from 17.2% in 1969 to 24.4% in 1978. The most recent figure is down again—to 22.2%."

More than a quarter of a century has passed since the law was enacted. During that period Small Business' share of federal procurement dollars has fluctuated erratically—from 20.3% in 1967 to 17.2% in 1969, for instance, to 24.4% in 1978. The most recent figure is down again: In 1979, small companies received 22.2% of the monies that the government spent on goods and services.[51] Yet Small Business accounts for something in the vicinity of 40% of gross national product.

Current government initiatives to increase small companies' share of procurements revolve around PL 95-507 and the Office of Federal Procurement Policy (OFPP), which are described on pages 34-36 and on page 66. In addition, the SBA has inaugurated its Procurement Automated Source System (PASS), a computer bank that keeps close track of federal procurement needs and matches them up with small companies. Using the PASS system, the SBA has set a target of 30% of procurement dollars for small businesses in 1981.

The delegates' deliberations in Federal Procurement workshops paralleled those in workshops on Minority Business Development (pages 65-69) and on Women in Business (pages 80-82). They also were similar to discussions on small companies' share of research-and-development funds and federal land leases under Innovation and Technology (pages 70-72) and Energy (pages 78-80).

alter the 1977 amendments would encounter strong opposition by labor groups, and it is unlikely that the Administration or Congress would address the issue in an election year. Accordingly, no proposed legislation now exists to freeze the minimum wage level or to exempt part-time or seasonal workers. Two bills, however—H.R.5080 and S.1107—would reduce the wage for teenagers, a measure that lost by only one vote in the House in 1977.

Recommendation 19: *Repeal the Davis-Bacon Act.*

This measure ranked sixteenth in the Conference voting.

The Davis-Bacon Act established minimum wage standards in the construction industry—national standards that do not take into account differences in regional or local wage rates. Small companies have a difficult time absorbing these excess labor costs, which often force them to hire fewer workers or to lose opportunities to bid on construction projects entirely.

Repeated attempts have been made to repeal Davis-Bacon during the past decade, most recently in 1978, but Congress voted them down.

Recommendation 20: *Provide greater incentives for savings and investment by eliminating income tax on investments and interest income up to $10,000.*

Delegates believed that this measure would encourage savings rather than consumption (page 26) and thus help curb the current inflationary spiral. The proposal would require legislation to amend the Internal Revenue Act.

Veterans in Business

Because of their years in military service, many veterans of the U.S. Armed Forces must postpone education and work experience. Record numbers of young veterans during the past decade have availed themselves of education and training programs under the G.I. Bill. Many have then turned to entrepreneurial ventures—only to face subtle discrimination because of their service in Southeast Asia. Moreover, having given years of service to the gov-

"Many veterans have turned to entrepreneurial ventures—only to face subtle discrimination because of their service in Southeast Asia."

The first measure recommended above—broadening the "prudent man rule"—has been partly accomplished. The prudent man rule goes back to a common-law notion that an investment manager must exercise prudence when investing someone else's money. Under the 1974 Employee Retirement Income Security Act (ERISA), managers of pension funds were at first constrained from investing in any small company on the grounds that small companies were too risky. This construction of the law effectively excluded small companies from some of the nation's largest capital pools.

The Labor Department, which enforces ERISA, issued a clarifying interpretation assuring institutional investors that a portion of pension fund portfolios could be invested in small ventures without fear of regulatory action. The managers and trustees of pension plans, however, want further clarification.

Meanwhile, in another action, the Labor Department has proposed rules known as "plan assets regulations" that would effectively constrain pension fund investments in a different way. Pension plans typically put money into fledgling companies by investing in venture capital pools. The proposed rules would make the managers of venture capital firms "plan fiduciaries" subject to ERISA regulation, which would keep pension funds out of venture capital pools.

Recommendation 15: *Institute specialized capital gains treatment for generative capital invested in technology based firms starting with 25% in the first year, decreasing by 5% per year to zero after five years and, further, defer taxation on such gains whenever the proceeds from the sale of investments is reinvested into a small business within the next twelve months.*

This recommendation combines two investment concepts that would require amendments to the tax code.

The first concept is that the longer an investor keeps his or her money in a technology company, the lower the tax would be on the gain when the shares are sold. Currently, 60% of any capital gain is excluded from taxation. Under this proposal, the 60% would rise in annual increments to 100% after five years, making the tax rate zero. But the sliding scale would apply only to direct investment (as opposed to buying shares in secondary markets) to help a technology company grow. The virtues of such a measure are that it would reward owners of technology companies who have plowed profits back into the business for many years, and it would counteract artificial gains created by inflation.

The second concept is the roll-over provision discussed under Capital Formation and Retention on page 64—except that in this recommendation the tax deferral would apply only to investments in technology companies.

Inflation

The options debated by the Conference delegates fell into two categories—measures to combat inflation on a national scale through changes in fiscal and monetary policy and federal wage standards, and measures to help small businesses cope with inflation.

Most of the options in the latter group aimed at expanding retained earnings through specific tax cuts and were virtually the same as those discussed in the Capital Formation and Retention workshops. The options included simplified and accelerated depreciation rules, simplified inventory accounting, changes in estate and gift taxes, opposition to a value-added tax, indexing the tax code for inflation, and tax credits for research and development.

By and large, however, the delegates in the Inflation workshops concentrated on measures that they felt would benefit the nation as a whole. These involved restricting growth in the money supply to the same rate as increases in national productivity; reforms in minimum wage standards and the Social Security system; revisions in Civil Service employment practices; and as many as seven different approaches to balancing the federal budget.

Recommendation 16: *Balance the Federal Budget by statute in Fiscal Year 1981 by limiting total Federal spending to a percentage of the GNP, commencing with 20% and declining to 15%.*

This recommendation ranked third in the Conference balloting. A statute to balance the budget would require a new law or an amendment to the 1974 Congressional Budget and Impoundment Control Act. There is no proposed legislation now in Congress that would do precisely what the delegates' recommendation specifies. Currently, however, both the Administration and Congress are

"A proposal to support S.1860, the Small Business Innovation bill, was voted the sixth most important recommendation at the Conference."

Innovation and Technology

The U.S is the world leader in science, engineering, and technology, but its leadership has been waning in recent years (page 20), especially as other nations have developed government policies to foster innovation.

Innovation is crucial to improving productivity in every sector of the economy, to developing entirely new industries, and to strengthening the U.S. balance of trade. It can solve the difficulties involved in preserving the environment, and it is central to developing new sources of energy. Technology is also key to revitalizing inner cities—through new types of building design and construction, solar energy devices, urban farming and small-scale food processing, computer-based education techniques, health care, and private delivery of welfare services.

After decades of taking U.S. technological superiority for granted, the government has now embarked on a major overhaul of federal laws and practices to spur innovation. In April 1978, the White House began a thorough review under the auspices of the Commerce Department to identify what measures should be taken. Hundreds of people from industry, labor, academia, and public interest organizations contributed suggestions and analyses. Among the many policy objectives that the President identified were revamping the patent system, clarifying antitrust policy, fostering small innovative companies, improving federal procurement, and streamlining regulation.

Congress has developed a great deal of interest in promoting innovation and technology. Numerous bills are currently before both houses.

The most comprehensive is S.1860, the Small Business Innovation bill, which proposes numerous changes in federal practices under a small business innovation research (SBIR) program. The SBIR program would make more federal research-and-development funds available to small companies, and it would be overseen by the Director of the Office of Federal Procurement Policy working with the SBA and the National Science Foundation. In addition, the bill addresses several financial topics, from capital gains on shares of small companies to deductions for research and experimentation.

Among the other bills, S.1697 would reform the patent system, while S.414 seeks to organize the present hodgepodge of policies concerning rights to government-financed inventions. S.1250, the National Technology Innovation bill, would establish an Office of Industrial Technology that would set up Centers for Industrial Technology around the U.S. through a program of grants to nonprofit applicants.

The options studied by the Conference delegates concentrated largely on problems of finding capital and were in many instances identical to proposals discussed in the Conference workshops on Capital Formation and Retention. But delegates were also concerned about streamlining the Patent Office, retaining rights to inventions made under federal research grants, and making the distribution of federal R&D funds more equitable and subject to fewer delays.

Recommendation 7: *The President shall direct the Office of Management and Budget (OMB) to establish, as part of the budget process, a formal reporting and goal setting system, requiring all departments and agencies to specify and separately make public the resources they plan to make available to small businesses, minority-owned (Black, Hispanic, Native American, Asian Pacific American, and other racial minorities) businesses, and women in business. The departments and agencies shall also be mandated to publicly report the levels of attainment of these goals.*

The Administration's current practice is to hold individual department and agency heads accountable for meeting minority business objectives. The aim of establishing a more formal reporting system and putting OMB in charge is to give the Administration more precise measures of what monies are actually channeled to minority businesses and how efforts to promote the overall health of minority enterprise are faring.

Because many minority companies do business in declining urban areas, such a reporting system could be used to assess other programs as well. Setting goals and making them public, in the delegates' view, are necessary to prod agencies to action.

Recommendation 8: *Congress and the Executive Branch shall ensure the effective implementation and enforcement of PL 95-507 by adopting the following changes/recommendations: (1) requiring the law or implementing regulations to provide that the prime contractor set forth a narrative description of the sub-contract or sub-contract item; and (2) giving the Associate Administrator for Minority Business, within the SBA, the clear authority to enforce and monitor compliance with PL 95-507.*

"Delegates felt that, because "maximum practicable opportunity" is unspecific, PL 95-507 is not adequately being implemented."

PL 95-507 requires the low bidder or otherwise successful recipient of a large federal contract to submit, before the contract is awarded, a subcontracting plan setting forth percentage goals for using small and minority companies. The contracting officer must then decide if the plan provides the "maximum practicable opportunity" for small and minority business. Delegates felt strongly that, because "maximum practicable opportunity" is unspecific and arbitrary, the law is not adequately being implemented. Further elucidation of PL 95-507's problems can be found on page 34.

such as manufacturing, wholesaling, and transportation. Moreover, in every industry, gross sales for minority companies average far below those of nonminority companies.

Minority entrepreneurs are handicapped by inadequate capital, limited opportunities to buy businesses, insufficient management training, disjointed and diffused government assistance programs, and difficulty marketing outside minority communities. Other problems exist in specific industries. For instance, surety bonds are required by law on virtually all public construction projects and by choice on a large number of private projects. That requirement has created a vicious cycle for minority contractors, who are denied contracts because they cannot obtain bonds and are denied bonds because they do not have a track record of performing contracts.

Federal efforts to assist minority enterprise concentrate on providing financial and procurement opportunities. The Small Business Administration has three financing programs. Its 7(a) program, under Section 7(a) of the 1953 Small Business Act, grants direct loans or 90% loan guarantees to small businesses. From 1970 to 1978, minority businesses received 26,536 loans totalling $1.7 billion—14% of all 7(a) loans and 10.6% of their total dollar value.[42]

The SBA also offers economic opportunity loans under the 1964 Economic Opportunity Act. This program loaned $914 million to small businesses from 1970 to 1978, three-quarters of it to minority businesses.[43]

Thirdly, the SBA licenses Minority Enterprise Small Business Investment Companies (MESBICs) pursuant to Section 301(d) of the 1972 Small Business Investment Act. MESBICs are privately-owned venture capital vehicles that since their inception have invested more than $82 million in minority businesses.[44]

In addition, the Commerce Department's Economic Development Administration (EDA) makes fixed-asset loans maturing up to 25 years. From 1970 to 1977, minority businesses received about 12.5% of the $270.7 million in EDA loans.[45]

There are three major programs to help minority businesses obtain federal procurement contracts. Under the Small Business Act's Section 8(a), the SBA contracts directly with a federal procuring agency and then subcontracts on a sole-source basis to a minority-owned business. Procurements under 8(a) have risen from $8.8 million in 1969 to $743 million in 1978.[46] Under the second program, a variation on 8(a), the SBA arranges small business "set-asides," federal prime contracts and subcontracts to be awarded to small businesses directly.

The third program is based on Public Law 95-507, which was enacted in 1978. A year earlier, President Carter directed the Interagency Council for Minority Business Enterprise to coordinate efforts to triple, within two years, minority businesses' share of federal procurements from $1.1 billion to $3.3 billion, or from 1.6% to 4% of total dollars. PL 95-507 provided the legislative framework for this policy.

The law requires prime contractors to set percentage goals for subcontracting to small and minority businesses before a federal procurement contract can be awarded. Also, the law obligates the SBA's Small Business Institute and Small Business Development Center programs to offer minority businesses much-needed management and technical assistance, including planning, loan packaging, accounting and marketing assistance, and help finding equity and debt financing.

Two other important organizations furthering minority business are the Commerce Department's Minority Business Development Administration (MBDA) created last year, and the National Minority Purchasing Council (NMPC) formed eight years ago by Commerce officials and a private group of Chicago business people.

MBDA's major thrust will be to nurture medium-sized minority businesses by locating capital for acquisitions and expansion, developing management training programs, and advocating minority interests before regulators. NMPC, now based in New York, encourages corporations to buy goods and services from minority-owned businesses, and it has set a target of $3 billion in such purchases for 1980.

In the Conference workshops, delegates considered more than 30 proposals touching on finance, management assistance, federal procurement, and other government efforts to assist minority enterprise. They considered which agency, SBA or MBDA, should oversee federal minority-business efforts. They debated other proposals to establish a National Institute for Minority Entrepreneurial Development, to establish Small and Disadvantaged Business Councils in each of the 10 federal regions, and to elevate the SBA Administrator to a Cabinet-level position and appoint an Undersecretary for Minority Business.

The delegates also discussed a new idea for a cooperative bank to help minority retailers, a

them to narrow their selections to five recommendations. All of the five that they finally chose received heavy support and ranked among the nine highest priority proposals at the Conference.

Recommendation 1: *Replace the present corporate and individual income tax schedules with more graduated rate scales, specifying the graduated corporate tax scale up to $500,000.*

This recommendation, the most important to come out of the Conference, received 1,129 delegate votes representing 67% of the delegate body.

There are two separate ideas within this proposal. The delegates concentrated on a more gradual rise in the income tax rate for corporations and later added individual income taxes to the recommendation to address unincorporated businesses, which comprise at least five out of every six small businesses in the country. A more graduated corporate tax would help expand the retained earnings available to a small company for reinvestment, and retained earnings are the soundest and most reliable source of business capital.

Four bills to graduate the corporate tax schedule further are now in Congress—H.R.2913 and H.R.4140 before the House Ways and Means Committee, and S.1288 and S.2136 before the Senate Finance Committee.

Recommendation 2: *Adopt a simplified accelerated capital cost recovery system to replace the present complex Asset Depreciation Range (ADR) regulations with provisions such as (A) immediately expensing capital costs less than a specified amount, (B) immediately expensing government mandated capital costs, and (C) the creation of a maximum annual benefit that may be derived from the system.*

The delegates chose this as their second most important recommendation, and the problems it addresses are discussed in more detail on page 27.

Present rules for depreciating the costs of plant, equipment, and other assets extend the write-offs over too long a period and are so complicated that small businesses rarely use them. The problem is that depreciation is based on historical costs of plant and equipment rather than on replacement costs. Inflation has pushed replacement costs so far beyond historical costs that traditional capital recovery schedules are now inadequate. Capital needed to expand or to replace obsolescent plant and equipment is being drained away by inflated tax payments. The simplest and fairest solution would be to speed up depreciation, as is done in most other industrialized nations.

The delegates proposed that an accelerated and simplified system should permit immediate write-offs for certain investments, particularly those required by government (for antipollution equipment, for example). To ensure that such a system would benefit small companies, they proposed that a limit be set on the amount of write-offs a company could take in any given year.

No fewer than eight bills are presently pending in Congress. The proposed "10-5-3" depreciation plan (page 28) is included in H.R.4646 and S.1435.

Recommendation 3: *Revise estate tax laws to ease the tax burden on family-owned businesses and encourage the continuity of family ownership.*

This recommendation ranked fourth among the delegates' 15 top-priority proposals. Many small-business owners work hard to build their businesses for their children, and the delegates were concerned that the heirs of a business frequently must sell the company to pay estate taxes.

The greatest obstacle to changing estate and gift taxes is a conviction among some legislators that accumulated wealth should not be passed to subsequent generations. On the other hand, companies that must be sold from an estate often are purchased by larger companies, which increases economic concentration.

H.R.5402, S.1825, and four other bills have been introduced in Congress to reform estate and gift tax laws.

Recommendation 4: *Provide a tax credit for initial investment in a small business and permit deferral of taxes for roll-overs of investments affecting small businesses.*

Seventh in the delegate voting, this recommendation embraces two separate ideas. The first, a tax credit for direct initial investment, is a new concept and is explained in detail on page 28. The second, known as the "capital gains roll over," could work several ways. In a broad application, the seller of any capital asset would defer capital gains taxes if the proceeds were reinvested in a small business. A narrower application would be to permit owners of a small business, including people who are retiring, to

The analyses of the recommendations in the ensuing pages are arranged according to the 12 issue areas that delegates debated in individual Conference workshops. Each section begins with short summaries of the issues and of recent government initiatives, followed by a sampling of options that the delegates discussed but did not include in their final selections.

Several issue areas overlapped one another. Those involving women, minorities, and veterans were tied in with federal procurement, for example, while capital formation, inflation, innovation and technology, and international trade were closely related. As a result, many of the delegates' final recommendations have similar objectives, and the analyses include a great deal of cross-referencing.

Taxes and inflation were the delegates' major concerns. No fewer than seven of the top nine recommendations address taxation directly. The delegates felt that general tax relief rarely benefits small businesses. The measures that they proposed emphasize tax changes targeted specifically for small enterprise. Three of the top 15 recommendations deal with inflation on a national scale, pertaining to major issues of fiscal policy and federal wage standards. More than a score of other proposals deal with inflation's direct impact on small companies.

The delegates were deeply concerned about federal regulations and paperwork as well. Five of the top 15 recommendations specify more flexible regulatory and reporting requirements for small businesses, and 15 of the 60 touch on the issue to one degree or another.

Other prominent themes that emerged from the delegates' deliberations included: greater advocacy of small business interests in federal policymaking; a more equitable share of federal research-and-development dollars for small companies that are innovative and technologically-oriented; equal access to business credit for women entrepreneurs; a fairer portion of procurement opportunities for both minority-owned and women-owned businesses; and more alternatives for entrepreneurial training and management assistance.

Capital Formation and Retention. The delegates' chief preoccupation was with problems of finding and retaining capital. Capital from outside sources is always more difficult to obtain for small businesses than for large ones, yet small companies—particularly young and expanding ones—rarely have sufficient earnings to support their growth. Current economic conditions have exacerbated the problems. Inflation and expensive credit have made it increasingly difficult both to find

shipping and air transportation. Hawaii is less than 20% self-sufficient in food stuffs, building materials, and household items. It is totally dependent on imports for medical supplies, baby foods, fertilizer, most animal feed, and other essential goods. Its 24,950 small business firms maintain extraordinary (and costly) inventories in anticipation of shipping interruptions; the high cost of warehousing and financing such inventories is absorbed by consumers.

Whereas, it is estimated that less than 7% of maritime and longshore workers on the Pacific Coast would be involved in continuing normal shipping to Hawaii and other U.S. Pacific islands. Thus federal guarantees of continued shipping could not be classed as "strike breaking" inasmuch as any strike could remain 93% effective.

Whereas, the U.S. Senate passed by a vote of 58 to 37 just such a measure as now proposed in July, 1974. The same bill failed to get out of committee in the U.S. House of Representatives.

Now, therefore, be it resolved by the delegates of the White House Conference on Small Business that Federal legislation is required to assure continued normal surface shipping to Hawaii and other U.S. Pacific islands during any strike or lockout of such service on the West Coast because more than 80% of essential goods for these islands passes through West Coast ports.

Resolution 11

Be it resolved that the delegates to this Conference have an obligation to respond to the action of the President in calling it and in advising us that he plans to reconvene a meeting of at least some of us in at least two years to respond with a program to implement the actions taken here;

And be it further resolved that as representatives of millions of small business men and women who could not be here with us and who are not yet adequately represented in either government or the private sector's organized life; and further that this Conference represents for many of us the first time we have ever had the opportunity to meet together with small business people from other parts of the country than our own, from other industries than our own, and from other ethnic and gender groups than our own, and that in that regard our greatest need is to carry forward the unifying strengthening effect of our work together here so that it may be reflected in national policy changes.

We herewith resolve as follows:

That each delegation be asked to designate two members of a Small Business National Unity Committee to be responsible for keeping the delegates informed about the progress of our implementation work; and further that existing national and regional small business organizations be invited to participate in the work of the committee through the designation of two small business representatives from each (including two organizations of women and two organizations of minority groups); and further that the Office of Advocacy be requested to provide such information and assistance as it is authorized to provide to all small business groups; and the charge of this Conference to the Small Business National Unity Committee shall be:

To maintain effective communications among the delegates and all elements of the small business community, organized and unorganized, to work for the implementation of the proposals of this Conference and to serve the continuing needs and interest of small business so that it shall at least achieve the power and unity in the making of national decisions which its numbers and significance in the economy warrant.

Now, therefore, in consideration of the foregoing and; whereas the Small Business Community is represented by some 14 million small and independent businesses and; whereas these 14 million businesses represent 100 million people and 58% of all private sector jobs in America and; whereas 97% of all newly created jobs in the past 7 years have been created among these 14 million small and independent businesses representing 48% of America's gross business product and; whereas 50% of all new inventions, innovations and patents are developed in the small and independent sector of American business. . . .

Therefore be it resolved that said 14 million small and independent businesses have fundamental, inalienable and constitutional rights: (1) The right to start, own, and manage a business without government interference. (2) The right to compete fairly for capital with assurance that capital will be available for private use. (3) The right to reward for risk, effort and genius necessary to make an independent business work. (4) The right to determine price just as the buyer has the right to buy or not at that price. (5) The right to be governed by reasonable and understandable laws set forth by elected representatives, not by bureaucratic dictate. (6) The right to be innocent until proven guilty by a jury of our peers, not by administrative edict. (7) The right to equal representation with Big Business, Big Labor, and Government on matters relating to America's economic policies.

Be it resolved that America's Small and Independent Business Bill of Rights be enacted into law, and that it be used as the preamble to all recommendations emerging from this Conference.

Resolution 2

Whereas the National Labor Relations Act now affects the majority of Small Businesses; whereas the economic and other impacts of the National Labor Relations Act on Small Business are proportionately greater; whereas the concerns and voice of Small Business should be heard and considered in the formulation of the National Labor Policy;

Be it resolved that: A reassessment of the National Labor Relations Act and its effect on Small Business be made in regard to creating a two-tiered National Labor Policy which takes into consideration the special problems of Small Business in the 1980's.

Resolution 3

Whereas, The White House has sponsored its first White House Conference on Small Business, and whereas this has been one of the most successful and meaningful conferences ever convened, and whereas the impact of the recommendations of this Conference will forever affect the future of America, be it resolved that the White House Conference on Small Business request the President of the United States, by Executive Order, to issue a Commemorative Stamp to advertise, publicize and celebrate this occasion.

The theme of the stamp shall be: "Support Small Business"—"Help Build America"—White House Conference on Small Business 1980.

Let the stamp show the faces of people of Small Business who are the people of America. The colors of the people shall be Red, White, Black, Brown, and Yellow; and the arrangement shall be *only* as appropriate for the piece of art.

Resolution 4

Whereas, it has been several decades since any national administration has focused upon the role of Small Business in the American economy; and whereas, President Carter is the first President of the United States to call a White House Conference on Small Business; and whereas, the delegates to this Conference represent the largest gathering ever assembled to review, discuss, and seek solutions to the problems of Small Business in America; and whereas, the delegates, after careful deliberation, have drafted proposals and recommendations to guide future growth and prosperity of Small Business in this nation; therefore,

Be it resolved that the delegates to the White House Conference on Small Business congratulate and support the efforts of the President for changing the climate for Small Business within the government, for calling this Conference, and for his accomplishments and hopes for bettering the Small Business Community of America.

vate business sector, existing agencies and existing organizations.

60. Congress should enact legislation that would provide tax credits or other tax incentives for:

(a) Expenses incurred to educate small business owners and operators regarding the management of business; and

(b) Expenses incurred to conduct continuing education and training and to provide on-the-job entrepreneurship experience.

The 15 Top-Priority Recommendations

1. (1,129 votes) Replace the present corporate and individual income tax schedules with more graduated rate scales, specifying the graduated corporate tax scale up to $500,000.

2. (818 votes) Adopt a simplified accelerated capital cost recovery system to replace the present complex Asset Depreciation Range (ADR) regulations, with provisions such as (A) immediately expensing capital costs less than a specified amount, (B) immediately expensing government mandated capital costs, and (C) the creation of a maximum annual benefit that may be derived from the system.

16. (807 votes) Balance the Federal Budget by statute in Fiscal Year 1981 by limiting total Federal spending to a percentage of the GNP, commencing with 20% and declining to 15%.

3. (799 votes) Revise estate tax laws to ease the tax burden on family-owned businesses and encourage the continuity of family ownership.

41. (757 votes) Congress shall exercise its oversight function with the assistance of the General Accounting Office, instituting sunset reviews of all laws, regulations, and agencies, to ensure that none exceeds original congressional intent. Sunset reviews, in an appropriate time frame (not less than every five years), should include economic impact analysis and proposed agency budget reductions, leading to re-enactment of each agency's enabling legislation to permit its continued existence, or to reduce its size and cost.

(a) Establish a Regulatory Review Board composed of representatives from the Executive Branch, Congress and small business owners, with responsibility for impact statements and cost controls.

(b) Congress shall exercise line-item veto over regulations within a specified time through congressional oversight committees, with one-house floor vote.

11. (746 votes) Support and urge passage of S.1860, the Small Business Innovation Act of 1979, and companion bill H.R.5607, as presently drafted with flexibility for minor future amendments, covering: small business research and development set-asides; small business innovation and research programs (as already encompassed by H.R.5126 and S.1074); patents; retention; amendments to the Internal Revenue Code; and regulatory flexibility.

4. (681 votes) Provide for a tax credit for initial investment in a small business, and permit deferral of taxes for roll-overs of investments affecting small businesses.

17. (675 votes) Reform the Social Security System by including, where constitutionally possible, all public and private sector employees as contributors and more closely tie benefits to contributions to move the system toward actuarial soundness. Limit benefits to the original old-age and survivors benefits. Freeze the tax base and tax rate at the January, 1980 level. Eliminate double dipping.

5. (646 votes) Provide tax incentives in the form of a new security called a Small Business Participating Debenture (SBPD) to provide a source of capital for small businesses.

47. (597 votes) The Office of Advocacy must be maintained, reinforced and expanded so that activity be not less than 5% of the SBA salary and expense budget. The legislative mission of Advocacy must be considered the number one priority of SBA and the Office of Advocacy. The independ-

small business from various regulations and reporting requirements as well. All new regulations should be designed to take into account the size and nature of the regulated business. All present regulations should be reviewed to see if they are still required.

45. When developing rules, forms and guidelines, regulatory agencies must consult with small business representatives from affected industries and advocates assigned to each agency.

(a) Consult SBA Office of Advocacy and small business trade associations who should be given sufficient authority and time (90-180 days prior to publication of notice of proposed rule-making) to influence regulators if a proposed rule and/or form would have an impact on small business.

(b) Such proposed rules should reflect less formal administrative procedures for small business.

(c) Agencies make available timely information and assistance, within 30 days in writing.

Economic Policy and Government Programs

46. Require that all government agencies which develop fiscal, monetary, legislative and regulatory policies/practices shall submit small business "economic impact" statements that require the regulatory agencies to identify the anticipated benefits and to justify the costs of Federal regulatory requirements to small business. In addition, all regulatory policies shall be subject to sunset provisions to be reviewed every 5 years in order to ensure that only cost effective regulations shall be maintained and retained in the future.

47. The Office of Advocacy must be maintained, reinforced and expanded so that activity be not less than 5% of the SBA salary and expense budget. The legislative mission of Advocacy must be considered the number one priority of SBA and the Office of Advocacy. The independence of that function of the Office of Advocacy must be protected so that it may continue to have the confidence of the small business community. SBA's Advocacy budget should be devoted to economic research and analysis, as well as small business advocacy. Small business advocates, under the direct supervision of the SBA Office of Advocacy, shall be assigned to OMB, Federal Reserve Board, Treasury, International Trade Policy Committee and other regulatory agencies.

48. The merger and acquisition anti-trust laws should be amended to: (1) inhibit monopoly and conglomerate growth of giant companies, provided safeguards are built in to protect the needs of small business; (2) prohibit dual distribution that adversely affects wholesalers, distributors, dealers, retailers, and franchises; and (3) prevent the termination or non-renewal of wholesalers, distributors, dealers, retailers and franchises without good legal cause.

49. The SBA should be directed to implement the following changes:

(a) The duties of the Administrator of the SBA shall include the additional function of chairing a new group, within the Executive Branch, to be known as the "Economic Policy Planning Committee for Small Business" to advise the President of small business matters. The new committee shall consist of the following: high level representatives of the Department of Commerce, Treasury, and Council of Economic Advisors.

(b) The SBA Bank Certification Program should be expanded so that the SBA can devote more of its resources in terms of personnel and funding to small business advocacy.

(c) The Office of Advocacy must be maintained, reinforced and expanded so that activity be not less than 5% of the SBA salary and expense budget. The independence of the function of the Office of Advocacy must be protected so that it may continue to have the confidence of the small business community. Small Business Advocates should be assigned to OMB, the Federal Reserve Board, the Treasury Department, and regulatory agencies, under general guidelines from the Office of Advocacy of the SBA.

50. Small business representation in economic and regulatory decision-making should be increased. This should include, but not be restricted to the following steps by the President:

1. Seek the Counsel of the SBA Administrator and representative small business executives in developing policy.

2. Appoint a small business executive as a senior advisor on the White House Domestic Policy Staff.

3. Direct that small business advocates be assigned to the OMB, FRB, Treasury Department and regulatory agencies, under general guidelines from the Office of Advocacy at the SBA.

4. Appoint small business persons to all national boards, commissions and advisory committees whose work impacts on small business.

The SBA shall be responsible for utilizing the Procurement Automatic Selection System (PASS) and other Federal procurement source listings to implement veterans' set-asides.

24. All legislation or regulations affording special treatment for women, minorities, the socially and economically disadvantaged or other special groups, should be amended to also provide priority for qualified veterans, including disabled veterans. Qualified veteran status alone shall entitle the veteran to equal treatment and inclusion in any such category or class.

25. SBA regulations shall include all disabled and/or Vietnam veterans in their definition of "socially and economically disadvantaged."

Federal Procurement

26. The Federal Government shall be required by statute to contract out to small business those supplies and services that the private sector can provide. The government should not compete with the private sector by accomplishing these efforts with its own or non-profit personnel and facilities. Small business generally—50% which shall include the following: minority-owned businesses 15%; businesses owned by women 10%.

27. Procurement agencies should break down large requirements (including those for research and development) into smaller parts where feasible to permit solicitation from, and award to, small businesses.

28. The Federal Government should contract out supplies and services to private industry (particularly small minority business) and should not compete with the private sector either through the use of its own personnel or through non-profit organizations such as the Federal Research Centers, educational institutions or other non-profit entities.

29. The Office of Federal Procurement Policy should develop a new set of procurement regulations applicable to procurements under a special amount from all businesses. This "second-tier" regulation should eliminate clauses, procedures, reporting requirements, etc., applicable to large systems procurement which are currently imposed on small businesses, as well; and to the extent possible, apply to subcontracts with small businesses.

30. Congress should adopt legislation establishing separate mandatory goals for all federal procurements and Federal funds or grants to states, localities, and public and private institutions on a contract-by-contract basis or agency-wide basis for small business (35%), minority-owned (Black, Hispanic, Native American, Asian Pacific American or other racial minorities) businesses (15%), and women in business (10%).

Energy

31. The Federal Government should open public lands to energy exploration and production under regulation which provide reasonable environmental protection with: (a) a 30% small business set-aside; (b) fixed time limits for statutory environmental analysis; and (c) a 5-year limit on lease terms to encourage rapid development.

32. Government must use any new tax income from energy production and development for the future production and development of energy in the private sector, until the U.S. is energy self-sufficient. Small business should have tax exemptions and appropriate set-asides.

33. The U.S. Government shall encourage the immediate expansion of nuclear and coal-powered electric generating capacity. Research efforts directed toward power technology should be expanded.

34. Congress should encourage substantial direct and investment tax credits for the implementation of all forms of conservation and alternative energy. Additionally, investments of up to $150,000 per year should be expensed.

35. Action should be taken to immediately remove price and allocation controls on crude oil and all petroleum products.

Women in Business

36. Private lending institutions should be required to provide equal access to commercial credit for women in business. The Federal Reserve Board should establish record keeping requirements for commercial loans to women which will permit ef-

The Delegates' 60 Recommendations

Capital Formation and Retention

1. Replace the present corporate and individual income tax schedules with more graduated rate scales, specifying the graduated corporate tax scale up to $500,000.

2. Adopt a simplified accelerated capital cost recovery system to replace the present complex Asset Depreciation Range (ADR) regulations, with provisions such as (A) immediately expensing capital costs less than a specified amount, (B) immediately expensing government mandated capital costs, and (C) the creation of a maximum annual benefit that may be derived from the system.

3. Revise estate tax laws to ease the tax burden on family-owned businesses and encourage the continuity of family ownership.

4. Provide for a tax credit for initial investment in a small business, and permit deferral of taxes for rollovers of investments affecting small businesses.

5. Provide tax incentives in the form of a new security called a Small Business Participating Debenture (SBPD) to provide a source of capital for small businesses.

Minority Business Development

6. The President, by Executive Order, and Congress, by legislation, shall establish mandatory goals for *all* Federal procurements and Federal funds or grants to states, localities, and public and private institutions, on a contract-by-contract or agency-wide basis for small businesses (35%); minority-owned (Black, Hispanic, Native American, Asian Pacific American, and other racial minorities) businesses (15%); and women in business (10%).

7. The President shall direct the Office of Management and Budget (OMB) to establish, as part of the budget process, a formal reporting and goal setting system, requiring all departments and agencies to specify and separately make public the resources they plan to make available to small businesses, minority-owned (Black, Hispanic, Native American, Asian Pacific American, and other racial minorities) businesses, and women in business. The departments and agencies shall also be mandated to publicly report the levels of attainment of these goals.

8. Congress and the Executive Branch shall ensure the effective implementation and enforcement of PL 95-507 by adopting the following changes/recommendations: (1) requiring the law or implementing regulations to provide that the prime contractor set forth a narrative description of the sub-contract or sub-contract item; and (2) giving the Associate Administrator for Minority Business, within the SBA, the clear authority to enforce and monitor compliance with PL 95-507.

9. Congress shall (1) adopt a SBIC and MESBIC Investment Tax Credit Act to provide a 50% tax credit for corporations and individuals who invest in any issue of equity securities of SBICs and licensed MESBICs; and (2) authorize MESBICs to borrow long-term loans from the Federal Financing Bank at subsidized interest rates.

10. The President, by Executive Order, or Congress, by legislation, shall establish a National Minority Economic Commission to provide a centralized focus to the Federal effort to assist minority business enterprise. This Commission, a majority of which shall consist of non-government contractors, shall report directly to the President.

Innovation and Technology

11. Support and urge passage of S.1860, the Small Business Innovation Act of 1979, and companion bill H.R.5607, as presently drafted, with flexibility for minor future amendments, covering: small business research and development set-asides; small business innovation and research programs (as already encompassed in H.R.5126 and S.1074);

2
THE RESULTS OF THE CONFERENCE

The Conference Format

Beginning Monday morning, the delegates settled down to the hard work of hashing out differing opinions and shaping recommendations.

As in the caucus format, each delegate chose two issues on which to concentrate. The delegates first attended panel discussions on individual issues. The panels were moderated by delegates and featured top-level federal officials in policymaking or regulation, who aired their perspectives on the issues and described current legislation and other government initiatives already under way. Then the delegates broke up into workshop groups of not more than 40 to debate options and to discuss their political and economic feasibility—sessions that ran morning and afternoon for two days.

Later, hundreds of delegates worked into the evenings at extra sessions on two special topics. One was on defining what a "small" business is, the other on ways to implement post-conference activities.

Both groups submitted resolutions at the closing plenary session that were overwhelmingly adopted. The resolutions process afforded delegates a way to bring ideas before the Conference that did not fall naturally into any of the 12 issue areas. In the end, the Conference passed 11 resolutions (Page 57). Public forums were held each day, as well, for non-delegates who wished to contribute comments or recommendations but who could not take part in the delegate proceedings.

Interspersed among the delegates' labors were a variety of other events. Luncheon speakers included such distinguished officials as Deputy Commerce Secretary Luther H. Hodges Jr., Treasury Secretary G. William Miller, Senator Nelson, and Alfred E. Kahn, Advisor to the President on Inflation.

In their free moments, the delegates could stroll through the White House Conference Exposition, 65 booths set up by 43 private and government exhibitors with information on everything from metric conversion and international trade to ways to work effectively through the federal bureaucracy.

Numerous receptions for delegates were held in the evenings. The most stunning of these were a wine-and-cheese reception at the internationally-renowned Corcoran Gallery of Art, which brought delegates together with members of Congress and their staffs in an informal manner, and a special tour of the White House personally hosted by Rosalynn Carter.

The Final Balloting

Tuesday night the workshop moderators gathered for long, intense negotiations to put together the first round of ballots for the next morning's issue-synthesis sessions.

At those meetings, the delegates involved in each of the issue areas voted for their five top-priority options. Because most delegates had concentrated on two issues, the synthesis sessions were repeated to permit voting on both topics. The ballots from both sessions were then rushed to on-site computer terminals provided by Control Data.

The results: Five top recommendations in each of 12 issue areas, or 60 recommendations altogether.

A new ballot was then printed so that all the delegates could, at Thursday's closing plenary session, vote for the 15 recommendations they felt required the government's immediate attention.

The national media watched this process with fascination. More than 350 newspaper and magazine reporters covered the Conference, generating more than 3,000 articles. Radio interviews and assessments of the Conference reached an estimated 40 million listeners. The three major television networks broadcast news of the Conference to a national audience that was unmeasurable.

Delegates' comments in press articles conveyed their sense of achievement. *The Wall Street Journal,* for example, quoted Mary E. Deiner, head of North Carolina's 39-member delegation, on the Conference process in this fashion: "It may have started out as one of the most beautiful public relations schemes for an election year, but it has turned into a much greater force. . . ." Thomas R. Moorhouse, a delegate from Minnesota, told another paper that he was "amazed that the average guy can have input into the decision-making process." Clay McGowan from Chico, California, echoed that sentiment. "Big business has had plenty of representatives," he said. "Now it's time for small business. Business people have finally

> **Logistics had to accommodate caucuses for 57 delegations and 67 simultaneous workshops.**

papers. Then, early in December of 1979, the heads of all the delegations met in New York, where they reviewed and subsequently endorsed both the issue agenda and the Conference procedure. The New York meeting proved to be crucial to the later success of the Washington Conference, for the delegates gained for the first time a clear sense of what could be achieved.

Profile of the Delegates

As delegations began arriving in Washington for the start of the Conference, it was clear that interest in the proceedings was enormous. Not only was it the largest White House conference ever held, it was also the most logistically complex. Most of the activities were to be held at the Washington Hilton, but the total number of people attending the Conference was so huge—more than 5,000 altogether—that numerous workshops, luncheons, and other meetings had to be held at the Sheraton Washington. The arrangements had to accommodate not only caucuses for 57 different delegations but also 67 individual workshops running simultaneously for two days.

The delegates came from all areas of the country and represented all categories of industry. Some of them owned businesses with as few as one or two employees, while others had more than 100. Service companies were the most heavily represented, reflecting the strong service orientation of Small Business as a whole. In addition, some delegates came from state and local governments, trade and professional organizations, and universities. The following is a profile of the delegate body prepared by Weems & Co.

Total delegates: 2,110

	Number of Delegates	Percent of Total
By Number of Employees		
Fewer than 5	271	12.8%
5-24	632	30.0
25-49	314	14.9
50-100	231	10.9
More than 100	321	15.2
Unknown	341	16.2
By Type of Business		
Manufacturing	384	18.2%
Wholesaling	128	6.1
Retailing	271	12.8
Service	855	40.5
Construction	105	5.0
Agriculture	21	1.0
Other	163	7.7
Unknown	183	8.7
By Race		
White	1,396	66.2%
Black	333	15.8
Hispanic	72	3.4
Other	35	1.7
Unknown	274	12.9
By Sex		
Men	1,766	83.7%
Women	329	15.6
Unknown	15	0.7

delegates debated, amended, deleted, and combined those options to produce their final 60 recommendations.

The Conference itself was not a back-slapping, partying sort of convention. It was a hard-working five days from Sunday afternoon registration on January 13, 1980, through the closing plenary session on Thursday, January 17. Delegates spent long hours in workshops, hammering out proposals for specific legislative and executive actions touching everything from obscure tax provisions to federal spending and staffing policies. Deliberations continued into the evenings with informal caucuses and lobbying. Many delegates burned the midnight oil working on amendments, drafting resolutions, and negotiating alliances in the true spirit of national political action.

In the end, they produced sharply-focused proposals in 12 areas of major concern: capital formation and retention; inflation; federal regulations and paperwork; innovation and technology; energy; federal procurement policy; minority business development; women in business; veterans in business; international trade; education, training, and assistance; and federal economic policy and government programs. They also learned a great deal about how Washington works. And they discovered that ranking bureaucrats, Senators and Congressmen, agency heads, and White House staffers were receptive to their views.

When the final Conference sessions ended and the delegates left Washington, it was with a solid sense of achievement and a determination to keep building upon their new-found unity. Many delegates now are enthusiastically organizing ways to continue pressing their interests at state as well as federal levels. If Small Business can keep that momentum going, the 1980 Conference may come to be regarded as the birthplace of a new political force in the nation.

The Origins of the Conference

The concept for a national conference to air Small Business grievances and to develop constructive proposals from small-business people themselves grew out of conversations in Wisconsin between Senator Gaylord Nelson (D-Wisc.), who chairs the Senate Select Committee on Small Business, and Jimmy Carter during the 1976 Presidential campaign. On April 6, 1978, the White House issued a press release (Appendix A) and set the conference machinery in motion by announcing that:

> The President will call a White House Conference on Small Business to be held in Washington. . . . The week-long conference will bring together several hundred representatives of small business from across the country, to be selected during regional meetings.

President Carter elucidated the idea further in a letter to Senator Nelson:

> I believe such a conference can help us identify the many special problems facing small business and design an agenda that addresses them in a constructive way. As you know, the 14 million small businesses represent a much larger part of our economy than is commonly recognized.

A month later, the President issued Executive Order 12061 establishing the Commission. A Conference staff was assembled and organized according to three basic functions—research, delegate relations, and logistics, plus smaller teams to handle press and congressional relations (Appendix G). The President designated A. Vernon Weaver, Administrator of the Small Business Administration, to oversee the activities on the President's behalf.

To meet the President's charge that recommendations come from small-business people rather than from academic or government circles, 57 regional

1
INTRODUCTION

> **The Fed should welcome any opportunity to tilt credit more toward production instead of toward consumption.**

PL 95-507 contracts currently may include bonus incentives for prime contractors if they meet their subcontracting targets. The Office of Federal Procurement Policy should institute corresponding disincentives that penalize prime contractors who fail to meet their targets. Further, a prime contractor's track record at meeting targets should weigh in the calculation of profit margins on subsequent contracts.

The Commission would like to press one further recommendation on behalf of women entrepreneurs.

Recommendation: *Extend the enforcement provisions of the 1974 Equal Credit Opportunity Act to commercial lending in order to help women obtain financing for their own businesses.*

The biggest problem for women in business is, as it is for other small-business people, obtaining capital. As numerous studies have shown, however, women face more difficulties getting bank loans due to the small amounts requested and to loan officers' insufficient exposure to women in business.

The Equal Credit Opportunity Act was intended to give women equal access to bank credit. But the Federal Reserve Board has construed the Act to apply largely to consumer loans. It should apply to commercial loans as well. The Fed should welcome any opportunity to tilt credit more toward production instead of toward consumption.

Public Policymaking

The owners of America's small businesses are learning that they must participate more in the formulation of government policies to make their views known for the benefit not only of Small Business but of the nation as a whole.

Goal 6: *Provide channels to institutionalize Small Business' voice in policymaking at both federal and state levels.*

Small Business should, as the Conference delegates pointed out, have representatives at many federal agencies. The most significant step, in the Commission's view, would be the following:

Recommendation: *The President should appoint the SBA Administrator to the Executive Committee of the Economic Policy Group.*

The Economic Policy Group is the Administration's highest advisory body on overall economic issues. Its membership currently includes the Council of Economic Advisors, the Advisor to the President on Inflation, the heads of the Treasury,

Recommendation: *Allow small companies to pool resources to form jointly-owned American Export Trading Companies.*

American Export Trading Companies would provide economies of scale by consolidating warehousing, shipping, freight forwarding, and other services. They would supply international market research, advertising, insurance, legal assistance, and expertise on overseas financing and foreign currency exchange. They would handle foreign orders, payments, and all manner of documentation, including foreign permits and licenses.

The tax measures and antitrust exemption necessary to create such companies are included in S.2040 and S.1663.

Minorities and Women

• Although they form 20.2% of the U.S. population, members of disadvantaged minority groups owned only 4.3% of all U.S. businesses as of 1975. Minority-owned enterprises accounted for only 0.7% of all business receipts.[39]

• Women comprise 48% of the nation's work force; but as of 1977 they owned only 4.8% of all businesses, according to figures from the Census Bureau. Women's enterprises accounted for a mere 1% of business receipts—and almost half of all women-owned businesses generated less than $5,000 in sales per year.

The difficulties facing women, minorities, Vietnam veterans, and others are largely attitudinal, and many of their battles for fair and equal treatment are being fought on battlefields other than Small Business. Nevertheless, the Commission feels that the government must open more opportunities for them under the free enterprise system, for the nation needs their fresh thinking and energy in entrepreneurial pursuits.

Goal 5: *Employ procurement and credit measures to assist groups who have found it difficult to get into business.*

Federal procurements and grants to states and municipalities provide a tool for achieving important economic and social goals. The Commission believes that this tool—which involves both direct contracts and subcontracts with prime contractors—should be used to develop small enterprise in general, but particularly to help women and minorities in business.

Section 211 of Public Law 95-507 took a giant step in the right direction. It requires federal contractors to provide an acceptable plan for subcontracting to small and minority enterprises before a procurement contract is awarded. The delegates to the White House Conference, however, were vehement in their contentions that Section 211 is being neither implemented nor enforced—and indeed, congressional oversight hearings have revealed that since the law was enacted in October, 1978, federal agencies have awarded at least $8.8 billion in contracts to prime contractors who have not complied with Section 211.[40]

Because women do not constitute a minority group, PL 95-507 does not specifically include women under its provisions. Thus Congress should pass a separate amendment to the 1953 Small Business Act to give women-owned businesses fair opportunities to fulfill direct federal contracts and to provide incentives to federal prime contractors for subcontracting with women-owned companies.

The delegates also voted heavily for amending Section 211 to apply to federal grants to states and municipalities as well as to procurements. That would shift some of the responsibility for encouraging small and minority business from the federal government to the local entities that receive federal funds. It would bring small and minority business owners into direct contact with state and local officials, which would increase their procurement opportunities and draw them into local government processes. And as these companies grew, they would help reduce local unemployment and expand the revenue base for state and local entities.

Based on the ineffectiveness of Section 211 so far, the delegates strongly endorsed mandatory goals. Voluntary and good faith efforts, they reasoned, do not work: Procurement authorities view voluntary goals as ceilings, but mandatory goals must necessarily be viewed as floors—minimum levels that must be attained. The delegates recommended that 15% of all procurement and grant dollars should go to minority businesses, 10% to women-owned businesses, and 35% to other small businesses.

The Commission endorses all of the delegate recommendations in principle. The levels of the mandatory goals, however, seem unrelated to available capacity in the small-business community or to any specific period of time. Also, federal procurements

Education and Management Assistance

Most people who go into business for themselves are initially inexperienced about business principles and practices. According to Dun & Bradstreet, 50% of all business failures are due to management deficiencies[38]—lack of planning, inadequate controls, poor accounting, and an inability to read and understand financial statements.

Goal 3: *Encourage private-sector initiatives to improve Small Business management and entrepreneurial skills in order to reduce failures and improve productivity.*

Sophisticated business-school programs are mostly devoted to training executive talent for big corporations, while government and academic programs for Small Business, as small-business people perceive them, are often more theoretical than practical in an operating sense. The message from the Conference delegates was loud and clear: They want practical assistance on the local level from successful business men and women in the private sector.

Recommendation: *The SBA should coordinate the development of private-sector, self-sustaining, for-profit Small Business Resource Centers by setting up pilot projects in a limited number of cities in 1980 and 1981.*

The pilot projects should be located in different regions around the U.S. They would develop a consortium of private interests around existing small business organizations such as chambers of commerce along with such national, regional, and local associations as the National Federation of Independent Business (NFIB), the National Small Business Association (NSBA), the Independent Business Association of Wisconsin (IBAW), the Smaller Business Association of New England (SBANE), and Cleveland's Council of Smaller Enterprises (COSE).

Because of strong mutual interdependence, there is every reason for business people to learn to help each other. Among big companies that might join a consortium to start Small Business Resource Centers are national and local accounting firms; management consultants; computer service companies that can package inventory and cost control, budgeting, payroll, and other services for groups of small companies; big manufacturers who depend on large numbers of suppliers or component subcontractors; packaged-goods producers, credit card companies and the like, who have an important stake in seeing that small retailers are well-managed; insurance companies; venture capital firms; companies that could benefit from productivity technology; and companies on the lookout for new products.

The Resource Centers should act as clearinghouses for information and assistance on a complete range of problems, from raising seed capital and obtaining performance bonds to learning what procurement and export opportunities are available. They should help women and minorities and aid new entrepreneurs as well as existing small-business owners. As the Commission envisions them, the Small Business Resource Centers would not compete with but complement the SBA's current Small Business Development Center program (page 90).

International Trade

Goal 4: *Promote Small Business opportunities in such areas of critical national priority as international trade, new energy sources, and innovative technologies.*

The Conference delegates devoted considerable attention to the problems of high-technology companies. One of their recommendations urged Congress to pass S.1860, the Small Business Innovation bill, and its companion bill in the House, H.R.5607, to help innovative and high-technology companies in a wide variety of ways (page 71). Few delegates paid much attention to international trade, however, which indicates how unfamiliar small-business people are with export opportunities.

The Commission feels that policymakers should emphasize international trade heavily in the coming decade. U.S. exports equal only 7.5% of GNP, the lowest percentage of any industrial nation. Exports should rise to at least 12% of GNP by 1990, the Commission believes, and Small Business should contribute a great deal to that increase. Accordingly, the Commission wishes to focus on stimulating small companies to export.

"Requirements are developed to regulate large companies without understanding how small companies differ."

ernment regulation is essential for maintaining an orderly society. But there are now 90 agencies issuing thousands of new rules each year.[32] Dr. Murray L. Weidenbaum of Washington University's Center for the Study of American Business calculates that U.S. businesses spent $97.8 billion in 1979 to comply with federal requirements.[33]

There are no precise figures for small businesses' share of the cost. But Dr. Weidenbaum and his colleague, Kenneth Chilton, in a new study entitled "Small Business Performance in the Regulated Economy," note that:

> A great deal of government regulation has disproportionately adverse effects on small business.
>
> One of the most serious threats to the continued existence of small firms is the requirement for major capital expenditures to meet environmental or workplace safety standards. Less frequent, but no less serious, are regulations that reduce the market for a firm's product, such as a ban on a product, or a performance standard that precludes the use of the product for its normal market application.[34]

The problem is largely that requirements are developed to regulate large companies without understanding how small companies differ. As the Chilton/Weidenbaum study points out, small companies rely on short-term borrowings to finance their operations, which severely restricts their financial ability to meet regulatory requirements. And they do not have the same ability to absorb the costs by raising prices. The study cites this example:

> If a large company has access to bond markets and borrows one million dollars to meet regulatory capital expenditures at a 10 percent rate, the annual amortization of principal plus interest on a 20-year bond would amount to approximately $96,500 a year. The same amount of money borrowed by a small firm on a 10-year term loan basis at a 15 percent rate would require principal and interest payments of $193,000 a year—double that of the firm with access to bond markets. Furthermore, the small firm does not have the same ability to pass along those increased costs to the consumer. The large firm with large production quantities and less than proportional regulatory costs can pass along its increased costs with a small increase in unit pricing. In other words, capital expenditures mandated by government regulation produce artificial "economies of scale."

Particularly in manufacturing industries, regulation promotes economic concentration and sometimes forces small companies out of business. One example in the Chilton/Weidenbaum report is the foundry industry, which produces castings for capital equipment. It is a Small Business industry composed of 4,200 companies, 75% of them with fewer than 50 employees. From 1968 through 1975, at least 350 foundries shut down. In a survey of many of those companies, 34% "cited EPA (Environmental Protection Agency) regulations to be partly or totally to blame for the closing of the firm."[35]

The paperwork that goes with regulation is also a major drain on small-business owners' time and energy. Overlap and duplication are rampant. Some agencies require separate reports for local, regional, and federal offices. Unlike large corporations, most small businesses cannot staff batteries of lawyers, accountants, and clerks to fill out forms and to decipher masses of rulings. As the Advisory Committee on Industrial Innovation stated in a recent report for the Commerce Department:[36]

> It is virtually impossible for the struggling innovator to comply with the never-ending forms, mandated reports applications, investigations, inspections, permits, licenses, stand-

Recommendation: *Devise a simplified and accelerated Small Business Asset Recovery System to give small, independent companies more equitable depreciation deductions.*

The Conference delegates' second most popular recommendation addressed the problem of retaining capital from a different angle—by speeding up and simplifying depreciation schedules.

The Jones-Conable bill presently before Congress, the so-called "10-5-3" proposal, would speed up writeoffs and simplify the present morass of depreciation rules by instituting a 10-year writeoff for structures, a five-year period for capital equipment, and a three-year period for autos and trucks.

The delegates came close to endorsing this bill but chose a more general wording because they felt the proposal, as written, would benefit capital-intensive companies more than small businesses, which are often labor intensive.

Both the delegates and the Commission are strongly in favor of simplification. The need, as the Commission sees it, is for an asset recovery plan tailored specifically for Small Business.

Further, the Commission believes that the growing obsolescence of America's plant and equipment is an alarming problem that requires prompt attention. The idea that depreciation provides sufficient funds to replace aging and obsolescent plant and equipment has been made ludicrous by inflation. In the Commission's view, a complete overhaul of the approach to depreciation is desperately needed to begin restoring the nation's productive capacity.

The Conference delegates, in stressing capital retention, spoke for successful small-business owners already established. Considering the long-term strategic requirements for the Small Business Economy, however, the Commission feels that encouraging initial capital investment is equally critical.

To this purpose, the Commission makes three recommendations, two from the delegates' list and an additional one. None of the three should produce any significant revenue loss for the Treasury. All of them would encourage equity-type investment. And all should be adopted immediately.

Recommendation: *Provide a tax credit for direct equity investment in new small business corporations.*

Because of the high inflation rate, most sophisticated investors are increasingly looking for immediate tax advantages. This tax credit would work in the following hypothetical manner: An individual who buys shares in a qualified new stock issue, offered publicly or privately, would deduct from his or her income tax that year up to 10% of the investment or $750, whichever proved smaller.

Such a credit would provide an incentive for investors and would help balance small companies' excessive debt/equity ratios. The credit would apply only to direct investment in a company. It would not apply to purchases of shares on stock markets, or purchases of shares in what are called "secondary" offerings made by existing investors in a company.

The Conference delegates included this recommendation among their 15 top-priority measures. Three Senate bills, S.655, S.487, and S.3975, advocate such a credit for investment.

Recommendation: *Permit Subchapter S companies to have up to 100 shareholders.*

Under Subchapter S of the tax code, qualifying corporations can pass net income or loss through to stockholders. As in a partnership, stockholders then report their portion of the income or loss on their individual tax returns. This eliminates double taxation of corporate income and permits shareholders to deduct corporate losses against personal income.

At present, however, Subchapter S companies cannot have more than 15 stockholders, which severely restricts their use for new companies. By expanding the limit to 100 shareholders, this vehicle could attract a great deal of capital for a wide variety of new enterprises.

The Subchapter S structure is particularly adaptable to innovative new companies in high technology fields. These companies typically have large research and development costs in their early years but, unlike big corporations, have little or no income to deduct them against. As a Subchapter S company, they could pass R&D costs on to shareholders and compete more equitably with mature companies.

An expansion of the Subchapter S limit on shareholders is recommended by Senate bill 2168.

Recommendation: *Provide certain tax incentives for a new security known as a "Small Business Participating Debenture" (SBPD).*

Although awkwardly named, SBPDs would combine the best characteristics of debt with the best characteristics of equity to overcome numerous

The first involves the nation's dwindling pool of savings. The second is the question of where small and new companies can get loans or find seed money by selling shares of stock. The third is how existing companies can retain more earnings for reinvestment—which in turn expands the savings pool.

When people or companies save, their money is reinvested to develop new resources and industrial capacity. They retain a portion of old wealth to create new wealth in a constantly replenishing cycle, much as a farmer retains part of his crop for next season's seed.

That cycle has come to a near halt, however, and capital formation has become a national crisis. Public savings reached an unprecedented low of 3.3% of disposable income during the fourth quarter of 1979.[30]

As in the case of any resource, scarcity touches off a pushing and shoving match, and small businesses are being shouldered out of the arena. The past decade's roller-coaster financial markets, the concentration of capital in giant, conservatively-oriented investment institutions, and the decline in the number of regional brokerage firms have all contributed to reducing the capital available to small companies. Investors, squeezed by inflation and higher tax brackets, are intent on finding immediate tax benefits and on preserving capital rather than risking money in new ventures or even in conventional investments. Many of the largest banks are concentrating on large loans to large corporations, because small loans are simply too costly to process and service.

"Small businesses are being ravaged by both the illness and the cure—both inflation and measures to fight it."

Inflation is also squeezing small companies' cash flows by pushing up costs, inflating the value of inventories, and expanding accounts receivable. Small companies' traditional recourse is to borrow, but current credit policy has pushed interest rates to historic highs that few small companies can afford.

In short, small businesses are being ravaged both by the illness and by the putative cure: by inflation and by the Federal Reserve Board's measures to fight inflation. And small companies have neither the internal resources nor the access to national and international money markets that big companies have to fall back on.

Goal 1: *Equalize the tax burdens on Small Business relative to large corporations in order to increase new-business starts and to supply existing small companies with more retained earnings for reinvestment.*

3
THE COMMISSION'S GOALS AND RECOMMENDATIONS

The Potential for Exports

Figures from the Department of Commerce[21] show that only 8.3% of the nation's 300,000 manufacturers export regularly, and a tiny fraction of those—about 1,900 companies—account for 84% of U.S. exports. In Commerce's view, at least 20,000 small companies that are not exporting now could easily sell their products overseas.

U.S. trade deficits, meanwhile, have ranged during the past three years from $24.7 billion to almost $29 billion, the highest in our history.[22] U.S. exports as a share of GNP are only 7.5%, the lowest of any industrial nation.

Small producers offer unique characteristics for international trade. They produce a great variety of products, often of exceptionally high quality. They can penetrate small markets and profit from them in ways that large companies find difficult. They are more flexible in meeting foreign customers' special packaging and labeling requirements. Because they are smaller and more entrepreneurially oriented, they can adapt more quickly to fluctuating market conditions.

But few small producers consider exporting, because the U.S. market has always been huge and hungry enough to absorb everything they could produce. The mechanics of international trade—not to mention the languages and currency exchange rates—seem forbidding and complex, while learning about markets and financing opportunities is difficult. Federal foreign-trade programs, for example, are scattered among seven different agencies, each with its own bureaucratic maze. And unlike many nations, the U.S. has never provided incentives to small companies in the form of subsidies, tax credits or deferrals, or as in Japan, direct sales help.[23]

Many small producers have long believed that the Export-Import Bank required applicants for export financing to meet sales minimums far above the capacities of small firms. Eximbank, however, has developed new programs specifically for small companies, as has the Overseas Private Investment Corporation (OPIC), which counsels and provides financial aids for direct investment in developing countries. With the Commerce Department and the Small Business Administration, Eximbank and OPIC have been staging a series of Interagency Small Business Export and Investment conferences

"By the standard of competitive grit and efficiency, small companies represent the most productive use for capital."

slowed.[11] As for the private sector, data from *Fortune Magazine* show that the nation's 1,000 largest corporations contributed only half of 1% of the new jobs created from 1969 to 1976. Medium and large businesses together accounted for about 9% of the total, or 13.3% of the private sector's share.

In the same period, businesses with fewer than 500 employees generated 86.7% of the private sector's new jobs, and the majority came from very small companies. A study[12] of Dun & Bradstreet records by MIT's David Birch shows that 66% of employment growth came from businesses with 20 or fewer employees. And most of those companies were less than five years old—that is, fresh entrepreneurial ventures.

At the start of the 1970s, the Bureau of Labor Statistics' count of unemployed Americans stood at 2.8 million, or 3.5% of the work force. Today, in the early months of the 1980s, some 6.3 million people are unemployed—more than double the number a decade ago—and the rate is 6%.[13] Clearly, the nation's producers are not creating enough new job opportunities.

If we are to achieve anything approaching a healthy level of employment for Americans in the 1980s, the leverage for public policy lies in spurring entrepreneurship and existing small companies. The need for new jobs will likely decline a bit in the coming decade, but the problem is nevertheless a big one.

Population growth following the postwar "baby boom" has returned to more normal levels, and the initial repercussions of women entering the workforce have passed. By current estimates, the U.S. will need 11.8 million new jobs in the 1980s to accommodate net increases in the workforce, plus another 2.3 million to take up the slack of the 1970s and push the unemployment rate down to 4%, the level that most economists consider a healthy target. That adds up to 14.1 million new jobs overall.

If the contributions from government and large companies continue at present levels, however, some 11 million new jobs will have to come from Small Business, or an average of 1.1 million every year.

To perform such a feat, Small Business needs three things. One is the capital to create more and more new businesses. Another is greater retained earnings for existing small companies so they can reinvest and grow. The third is management training to reduce the number of business failures.

Also, because small businesses are so rooted in community and neighborhood life, they have always been able and willing to provide jobs for teenagers, part-time workers, the elderly, and the disabled, many of whom are not included in government employment figures. But the current minimum-wage level of $3.10 per hour, plus severe inflation in other costs, has forced small-business owners to cut back such hiring drastically. This has contributed to rising economic and social problems in many areas of the country. For the long-term health of the nation's communities, it may prove wise to provide for flexible mininum-wage standards to increase employment.

Innovative Brilliance

Small Business receives an inequitably small share of the government's $99.2 billion procurement budget. That share has fluctuated from year to year, according to SBA figures.[14] It was 17.2% in 1969, for instance. Today it is 22.2%.

But Small Business' share of research and development expenditures is another matter. Figures compiled by the House Committee on Small Business[15] indicate that small companies have been receiving less than 3.5% of federal R&D dollars, which totalled $28 billion in 1978. In some instances, R&D budgets border on the irrational. Experimentation in solar energy devices, for instance, is almost the exclusive province of small companies and individual inventors. Yet only 1.6% of federal funds for solar energy development went to small concerns in 1979.[16]

On the other side of the ledger, Small Business has demonstrated incomparable innovative fertility. A National Science Foundation study[17] disclosed that, for every R&D dollar, small companies produce four times more innovations than medium-sized companies and 24 times more innovations than large companies. As President Carter has stated:

> . . . there is a lot that can be done to channel research and development funds to the small business entities of America. We've done an analysis that shows the Government gets a much better return on its investment.

prices on world metal markets. Meanwhile, worldwide demand for U.S. agricultural produce is stimulating new opportunities in farming.

Small-scale entrepreneurs, who habitually respond to change and adapt far more readily than big companies, are following the trend with new retail, service, and construction businesses—which in turn create more employment opportunities to attract more people.

This shift is leading to increasing regionalization within the Small Business Economy. Furthermore, higher and higher gasoline prices will weigh against nationwide distribution networks, which have favored giant manufacturers, and will tend to benefit regional distribution patterns and local producers.

This regionalization is not according to states but to much smaller geographic areas. Working from the Bureau of Economic Analysis' 160 areas, David L. Birch, who heads the Massachusetts Institute of Technology's Program on Neighborhood and Regional Change, has so far distinguished 315 small regions of relative self-sufficiency[9]—"islands," as Birch describes them, of economic cohesion that have a minimal amount of trade and exchange few workers with neighboring regions.

"Small regional companies may become more critical to the nation's health as big companies become more internationally oriented."

Another trend that may add a significant dimension to this picture is a shifting focus among many giant corporations. Their growth during the past several decades has depended mostly on spiraling consumer demand. But double-digit inflation and dwindling savings are corroding the underpinnings of consumer buying power. As *Business Week* stated in its cover story dated January 28, 1980:

> The appetite of the U.S. consumer for more and more goods made this country's factories hum, as well as those of Europe, Japan, and the Third World, creating more than a quarter-century of unprecedented economic growth.
>
> But the golden age of the consumer is over. . . . The American credo that each generation can look forward to a more comfortable life than its predecessor has been shattered.

For that reason, many giant corporations perceive their prospects to lie in developing consumer markets abroad. Their focus is on building facilities near those markets. To the extent that large companies are generating new jobs and improving productivity, the benefits are accruing mostly in countries such as Korea, Taiwan, the Philippines, Mexico, and Brazil, to name a few.

The Small Business Economy is so imbedded in everyday existence that it is easily overlooked. Like the ecosystem of the proverbial pond, it is hard to see yet teeming and complex. There are about 12 million small-business operations in the U.S.,[6] or more than 97% of all American companies. Nine million are sole proprietorships, two million are corporations, and one million are partnerships. They provide livelihoods for more than 100 million Americans and account for roughly 40% of our gross national product.

But statistics hardly do justice to the diverse ways that people depend on small concerns every day for goods and services.

Small enterprise runs the gamut from corner news-vending to developing optical fibers. Small-business people sell gasoline, flowers, and coffee-to-go. They publish magazines, haul freight, teach languages, and program computers. They make wines, motion pictures, and high-fashion clothes. They build new homes and restore old ones. They repair plumbing, fix appliances, recycle metals, and sell used cars. They drive taxicabs, run cranes, and fly helicopters. They wildcat for oil, quarry sand and gravel, and mine exotic ores. They forge, cast, weld, photoengrave, electroplate and anodize. They also invent: antipollution devices, quality-control mechanisms, energy-saving techniques, microelectronic systems—a list would go on for volumes.

Such operations typically are run by the people who started and own them. With a direct emotional as well as financial stake, owner/managers usually are involved in day-to-day operations. More often than not, they know their employees' names and family concerns. They deal face-to-face with customers, suppliers, and neighbors every day and are accountable to them in ways that large corporations rarely are. In addition, many owner/managers of small businesses become involved in community affairs, and more than a few of them go on to responsible roles at state and federal levels.

Healthier Communities. As a result, small companies are deeply rooted in their communities, regions, and neighborhoods and are the most vital ingredients in the pulse and morale of local economies. Through their personal ways of doing business, grocers, druggists, restaurateurs, apparel merchants, bakers, real estate agents, booksellers, and dry cleaners all weave together the fabric of communities' daily life and enrich that life with the diversity of their products and services.

The tighter the weave, of course, the tougher the cloth. A study of postwar industrial concentration by the distinguished sociologist C. Wright Mills[7] contrasted

"The most important message of the Conference is that government must play a reduced role in small-business activities."

• Federal policymakers should adopt supply-side economic measures to fight inflation by encouraging Americans to save, invest, and produce.

As can readily be seen, these three objectives are interrelated. The first, a larger role for Small Business, is the Commission's overriding aim. The other two objectives address imbalances in current policy that must be altered to achieve the first.

With these objectives in mind, the Commission also feels that specific goals are important to focus policymaking in the coming decade. It has evolved these goals from the six major themes in the Conference recommendations. Accordingly, the Commission proposes that the following six-point program be developed for the Small Business Economy:

Goal 1: *Equalize the tax burdens on Small Business relative to large corporations in order to increase new-business starts and to provide existing small companies with more retained earnings for reinvestment.*

Goal 2: *Eliminate or reduce onerous regulations and reporting requirements that inhibit small companies' growth and in some cases threaten their survival.*

Goal 3: *Encourage private-sector intiatives to improve Small Business management and entrepreneurial skills, in order to reduce failures and improve productivity.*

Goal 4: *Promote Small Business opportunities in such areas of critical national priority as international trade, new energy sources, and innovative technologies.*

Goal 5: *Employ procurement and credit measures to assist groups who have found it difficult to get into business.*

Goal 6: *Provide channels to institutionalize Small Business' voice in policymaking at both federal and state levels.*

In preparing this report, the Commission encountered two major difficulties that suggest how seriously Small Business has been neglected. One is a severe lack of reliable data. The Small Business Administration (SBA) has begun to develop a data base on Small Business, but much of it must be derived from 1977 census figures that the U.S. Census Bureau has not yet collated. Thus it could be several years before an adequate data base is available. Only then can econometricians devise the statistical microscopes and barometers necessary to monitor the Small Business Economy accurately.

This state of affairs prompts the Commission to advance at the outset one recommendation that it feels is of paramount importance.

Recommendation: *A thorough data base on Small Business must be developed. The Commission urges all government agencies to assist the SBA in this project. It also requests that the SBA be granted formal authority to solicit assistance from the private sector to expedite the task.*

The second difficulty that the Commission faced is related to the first. No standard measure of "small" is wholly satisfactory, for smallness varies between service and manufacturing sectors and from industry to industry. Some measures are based on asset size, while others are based on sales or on the number of employees. The SBA is trying to develop industry-by-industry measures, not only of "small" companies but also of discernible subcategories such as "micro" companies. In the interim, the Commission adopts a general standard, unless otherwise stated, that small, independent companies are those that have fewer than 500 employees and are not controlled by a bigger entity.

protein development to biogenetics and gerontology—will create the frontier industries and new markets for the nation's next great expansionary cycle.

Indeed, under a balanced economic policy, Small Business can transform the coming decade into one of the great flowerings of entrepreneurial spirit in our history. Already, in towns and cities and neighborhoods across the continent, Americans are rolling up their shirtsleeves.

But initiatives must come quickly. The Commission cannot stress this too strongly: The spirit of individual enterprise must be nurtured, not crushed by outdated policies. If it is crushed, the agonies of economic readjustment for the nation in the 1980s, along with the much-discussed malaise in the national will, can only be deepened and prolonged. The scars to the American psyche could, like those left by the Great Depression, take a generation or more to heal.

The Birthright Economy

The chief prerequisite of refocusing policy is to perceive that Small Business is not the lower part of a single economic pyramid. The old notion that priming Big Business helps everyone, because the benefits will "trickle down" through the pyramid, is not working. The reason is that the U.S. has, in fact, evolved two economies.

One is of many small entities interwoven in the daily life of neighborhoods and communities. The other is of gargantuan organizations colliding in national and international spheres. The Small Business Economy and the Big Business Economy interact and intersect in innumerable ways. But the Small Business Economy is different in both practice and culture.

Just as it is quicker to adapt to new trends, it is first to be hit by economic downcycles. It differs in its economic handicaps, financial difficulties, and regulatory burdens. It differs in its personal ways of doing business, its accent on craftsmanship, its distribution networks, its advertising media, and even its life-styles, oriented strongly toward self-reliance and independence.

Small Business is, in a deep sense, our Birthright Economy. It is through individual enterprise that we seize those rights of liberty and opportunity that we cherish—the freedom to take our lives into our own hands and pursue prosperity by our own lights; the chance to take risks on our own behalf. And the more people who assume risk and responsibility, the more citizens there will be with a direct stake in fortifying democratic government.

There has always been an analogy in the American mind between competitive markets and democratic processes, for both are healthiest when they are open to the greatest variety of participants and ideas. Both, as the framers of our Constitution and Bill of Rights understood well, are founded on a diversity of decision-making and initiative.

That diversity is also the source of extraordinary economic resilience. Two generations after our nation's birth, the French social philosopher Alexis de Tocqueville, the keenest observer of U.S. affairs in his day, ascribed the unique vitality of American life to its "multitude of small undertakings."

The knitting together of pioneer communities by traders and merchants, the building of turnpikes and canals, the initial stages of industrialization, even the growth of retailing and the great postwar consumer boom—all were sparked by the inventiveness and ingenuity of individuals. Time and again throughout the past 300 years, it has been the cycle of resurgence in "small undertakings" that has provided the wellspring for the nation's growth.

A Framework for Policy

By taking the short view, government policymakers have lost sight of this regenerative process. Restoring the process is so vitally important to the nation that it transcends the narrow concerns of special interest groups. It is essential to the well-being of every American, to large businesses as well as small, and to the underpinnings of democratic government.

An important step toward fostering the entrepreneurial spirit is to recognize that Small Business forms a distinct economy within the complex interactions of national commerce. A precedent can be seen in how government policymakers recognized that farming is different from other economic sectors. When they developed a wholly separate policy for U.S. farming, they were able to turn the American Agricultural Economy into the most astonishing productive engine the world has ever seen. With an

two basic challenges—Americans must start producing again, and they must start saving again.

The members of the White House Commission on Small Business share a deep conviction that the spirit of individual enterprise is our most vital resource. A flourishing Small Business Economy is absolutely essential if we as a nation are to ride out the transitions of the 1980s. Small Business can give our communities an even keel of economic stability. It can supply the bulk of the nation's new jobs. And it can incubate new formulas for the nation's growth.

Unfortunately, current economic policy weighs against it.

The Double Tilt Against Small Business

Government in recent decades has tended to view Americans as employees and consumers rather than as entrepreneurs and producers, a philosophy of collectivism at the expense of individualism. As a result, there are two fundamental imbalances in postwar economic policy—a kind of double tilt that, largely through inadvertence, has permitted the climate for small, independent ventures to deteriorate badly.

One is a tilt favoring the nation's largest corporations. The tax code, accounting principles, credit policies, procurement practices, export incentives, even business-school programs, have all evolved over the years to support Big Business.

The other is a tilt toward managing the demand side of the economic equation to the neglect of the supply side—alternately whetting and suppressing the appetite to consume rather than quickening the adrenalin to produce.

A debate is currently raging among policymakers over "demand management" versus "supply management." Demand-side economists believe that the way to avoid recessions is to stimulate demand with federal deficits, easy credit, and tax cuts for consumers, while the way to fight inflation is to reduce demand through budget cuts, high taxes, and costly credit. With inflation now at crisis levels, this approach clearly has not worked.

Supply-side economists emphasize productivity. They hold that the way to fight inflation is to reduce the costs of regulation, ease credit for productive purposes, and cut taxes in ways that encourage savings and investment.

Traditional economists view "productivity" as a manufacturing problem of leveraging a worker's output with machines and technology; that is, putting capital and fuel to work to make people more productive. But that view developed when capital and fuel were inexpensive relative to labor, and when the U.S. economy was based firmly on manufacturing. The U.S., however, has become increasingly service oriented, and capital and fuel now are expensive relative to labor. These changes require new ways of understanding productivity: putting more people to work, for example, to make capital and fuel more productive instead of the other way around.

The issue, in the Commission's view, is not to jettison demand-side techniques for supply-side measures but to integrate both under a policy that addresses declining productivity and hyperinflation as two sides of the same coin. The Administration, the Congress, and the Federal Reserve Board have taken some laudable steps in the right direction. But so far the efforts have been tentative and fragmented.

The priorities of policy must be reordered to encourage Americans to replenish the nation's wealth instead of squandering it. Small Business—which is heavily service oriented, labor intensive, and capital poor—possesses vast productive potential. What is needed are fiscal and credit measures that reemphasize savings and investment and that bring Small Business' potential into full play.

Small Business' Vital Roles

Small Business is critical to the nation in a multitude of ways.

A vibrant interplay of numerous small enterprises, for instance, would revive urban areas and provide communities with the fiber and self-sufficiency to withstand national economic turmoil.

New and existing small companies in recent years have provided an astonishing 86.7% of the nation's new jobs in the private sector[3]—a critical consideration at a time when government anti-inflation efforts are tempered by fears of creating massive unemployment.

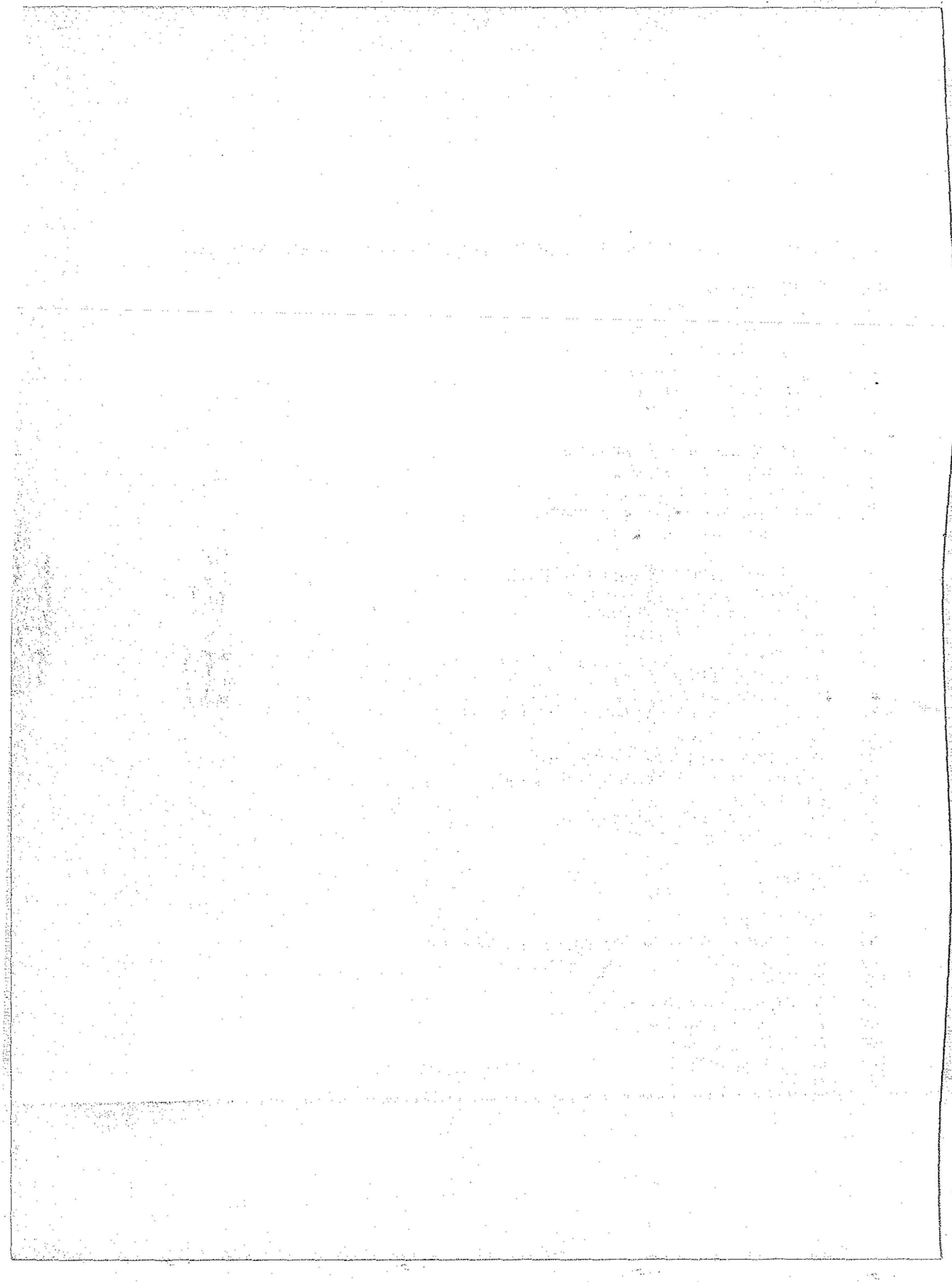
As has often been noted, small companies work

1

THE COMING ENTREPRENEURIAL DECADE

"... a wise and frugal government, which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread that it has earned."

—Thomas Jefferson
1801 Inaugural Address



CONTENTS

7 **COMMISSION REPORT ON THE SMALL BUSINESS ECONOMY**

8 **1. The Coming Entrepreneurial Decade**
10 The Double Tilt Against Small Business
10 Small Business' Vital Roles
12 The Birthright Economy
12 A Framework for Policy

15 **2. The Small Business Economy**
16 Healthier Communities
17 Trends Toward Regionalization
19 Generating New Jobs
20 Innovative Brilliance
22 The Potential for Exports
23 Small Business' Dwindling Slice of the Pie

24 **3. The Commission's Goals and Recommendations**
25 Capital
29 Regulations and Paperwork
32 Education and Management Assistance
32 International Trade
34 Minorities and Women
36 Public Policymaking

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