



a report from

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Time To Help Small Business

"Today, small businesses in this country account for nearly 55 percent of the work force, 43 percent of the Gross National Product and 98 percent of all new jobs in the private sector. Yet, this institution is facing the very real threat of being squeezed right out of existence."

One of the special promises that this country has always held has been the promise of a beginning. This is the place where a man or a woman, maybe along with some members of the family or a few friends, could scrape up a grubstake and go into business for themselves.

There is no thrill quite like seeing your own ideas work, being your own boss, watching a dream come true. If the idea is a good one, the business is bound to grow and prosper. I well remember the pride I felt when my name first appeared on a law firm letterhead, and when I joined with some other Southern Arizonans years ago to help start a savings and loan association, one that is still prospering today.

There are dozens of similar stories all over Southern Arizona: the family that started a restaurant that grew into a local institution; the print shop that literally began in a hotel room and today is a major community force, publishing not one, but several neighborhood newspapers. The list is a long one.

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But the dream and the promise and this American Original we know as the small businessman is in danger these days, because he's being pushed from all sides. Government is at him with regulations that can require the services of an accountant and a college professor. Bigger business can make it more and more difficult for the little guy to compete.

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That's not only unfair to the small businessman, it's downright unhealthy for all of us -- and for the economy.

One of the great things about small business is that it gives all of us a wide range of products and services at different prices. We can shop to find the best buy for our money. That's nothing short of good, healthy competition, and that's a fundamental cornerstone in the foundations of capitalism.

Competition at its best means better products at lower prices, a more efficient merchant, higher productivity and real innovations in marketing and selling and that benefits everyone.

On the other hand, the absence of competition can have the reverse effect. The buyer becomes captive. There is no need to market a better product, no need to work for lower prices, no need to be a real participant in any of the things that all add up to a healthy marketplace.

But competition today is on the decline, and it's a frightening thing.

We have 400,000 manufacturing firms in this country, but only about 200 control two-thirds of all the assets. Industry after industry is dominated by a handful of giant companies. Whether the concentration takes the form of monopoly or oligopoly, the result is the same. Competition is stifled and the foundations of the free enterprise system are undercut.

We have three companies selling more than 80 percent of our cold breakfast cereal. Four sell 70 percent of our dairy products and 80 percent of our canned goods. And a single company sells 90 percent of the soup in this country.

The list goes on: in 1921, we had 88 companies in the business of manufacturing automobiles. By 1935, there were 10 left. Today, three companies manufacture about 97 percent of the cars in the United States.

The picture is a clear one -- small businesses vanish, and in their place, big ones (and bigger ones still) emerge.

In media, we have a situation where, unless help comes soon, American newspapers will become the printed equivalents of fast-food hamburgers: in every city and in every state, wherever the predominant chain owns a paper, you can depend on it to look and read practically the same.

The disappearance of small business means, in the end, that each of us can count on higher prices.

Tucsonan Ray Bailey, a member of the Executive Committee of the National Small Business Association, put it well. Writing in the April edition of the Arizona magazine, *Today's Business*, Bailey declared:

"The decline of share by the 'smalls' increases the possibilities of control of the economy by the 'bigs' and subsequent possible higher consumer prices all along the line by elimination of competition."

Bailey sees the problem as one serious enough to warrant the establishment of a Cabinet-level agency -- something on the order of a Department of Small Business, to see that small businessmen get their fair share of our economy, and fair treatment at the hands of government. Whether that would be feasible, or even desirable, is another matter. But the message is straightforward: small business needs help.

There is nothing wrong with big money, or even big profits. But there is something wrong when competition itself is in danger of disappearing altogether.

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Not long ago, the director of the Internal Revenue Service, according to one news report, declared that the federal government's income tax returns could be completed in 45 minutes, "by anyone with a ninth grade education."

A teacher in West Virginia accepted the challenge. Supplying his ninth grade students with some tax "information," he then asked them to complete their "tax returns" -- in 45 minutes.

Only one student made it. And most of his answers were wrong. The others quit in frustration.

Small businessmen know about that sort of frustration. And few things are likely to arouse any small businessman these days as much as the mention of red tape. Forms, questionnaires, surveys, regulations, pamphlets, rules, specifications, requirements and more seem to come from Washington in an endless blizzard.

Some of this paperwork is necessary. But surely a whole lot of it can be consolidated, if not done away with altogether.

Some of this "paper river" is the result of legislation that grew out of investigations of shoddy practices, unsafe conditions and the like. Some of it came after specific groups and organizations lobbied hard for this or that law or this or that regulation. And some of it represents some slipshod moves by the Congress. Legislation that resulted in new paperwork was sometimes far from being well thought out, or the long-term implications simply were not considered.

Up until the middle 1950s, the federal government held major regulatory responsibility in just four areas: antitrust, banking, transportation and communications.

Now there are more than 1,000 different federal programs handled by more than 77 federal agencies, and 50 of those have been created since 1960.

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Most Americans don't object to sound and reasonable regulations and programs that insure that their workplace is safe, or that the air they breathe and the water they drink is clean, or that the automobiles and trucks they drive are as safe as reasonably possible.

What Americans do object to, are rules and regulations and laws that seem silly or unenforceable, that duplicate one another, that stifle our country's economy rather than promote it, that leave us running in exasperated circles.

Small business complaints about burdensome regulations by federal agencies are valid. And we in the Congress must share some of the blame with the regulators.

We live in an extraordinarily complex society. The Congress recognized long ago that it must pass laws that are designed to encourage economic growth, while reducing abuses to individuals, or to federal resources.

The federal agencies which administer these regulations generally seek these same objectives, but both Congress and the agencies are guilty of "over-engineering." Both have written laws and regulations that try to cover not only the immediate problem, but every future and unforeseen problem and situation as well.

Insuring that no corner is left unswept may be a good intention. But trying to cover the unforeseen problem can have unforeseen side effects.

This practice can cause untold difficulties for the "little guy" who doesn't have the staff or resources to comply with all the rules and regulations. Worse, many of the rules are causing out-and-out business failures, others have actually reduced competition, others have contributed to inflation and still others, to unemployment.

And it does no good to enact a minimum wage law with an eye to helping more Americans take home a decent wage, when one effect of that law turns out to be inflationary, and another is actually keeping young people out of the work force.

Clearly, these are the kinds of side effects that are inexcusable, and they demand immediate attention.

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Regulations, vanishing competition, red tape, wages, taxes -- these are the problems facing small business. But they are not problems beyond solution. Far from it. In fact, in a couple of areas, help is either on the way or already on the law books.

Here's a rundown of steps that have been or are being taken:

Regulations. I have added my name this year to the list of co-sponsors of HR 2, the Sunset Act of 1979. If enacted, this law would require justification of some federal agencies and programs every 10 years. Without justification, they would face automatic extinction.

Taxes. In the 95th Congress, I supported HR 10784, the Small Business Tax Relief Act of 1978. The bill revised the tax scale for small businesses grossing less than \$100,000 a year. This legislation represented a giant step in recognizing the special situation of the small businessman, and acknowledged that Joe's Shoe Repair is not General Motors.

Minimum Wage. Minimum wage laws in general make good economic sense. When wages go up, so do tax receipts, and so does buying power. But I also understand that there is a need for exceptions and adjustments. There should be allowances to recognize that small business and young people need each other, but perhaps they can't work out an arrangement without some help. Maybe there is room here for the federal government to pick up a "piece of the action," to make up the difference between what a small businessman is able to pay, and what the minimum wage law requires.

* * *

I want to put together a comprehensive legislative package this year aimed at the heart of the problems facing the small businessman. In meetings with small groups of these executives throughout Southern Arizona, I've been asking for their advice, their help and for their suggestions.

In June, I plan to take this legislative package before a larger group of small businessmen meeting in Tucson, and ask each one to take a look at the proposals before the bill is introduced in this Congress. It will address much of what has been discussed in this newsletter.

No institution, public or private, is perfect, and that includes the Congress. It is one thing to err, but it is quite another thing to persist in an error. If we are finding mistakes growing out of well-intended legislation, then let's go back and correct them.

Despite the problems, small business in America today still is vibrant. The dream is still a good one. Marshall Loeb, writing in a recent issue of *Time* magazine, said it well:

"The corner druggist who opens a chain of stores is a Norman Rockwell hero, and he often earns far more money -- and gets far less flak -- than a drug company chief. A lucky Texas wildcatter is looked upon as a sturdy independent, and he can buy and sell an oil company middle manager.

"A large crowd of Holiday Inn, Coca-Cola and Roto-Rooter franchisees, real estate brokers, art dealers and liquor distributors are good for \$500,000 or more, year after year. Given the multiplying value of their land, probably more farmers and ranchers than corporate executives have a net worth above a million.

"So despite . . . bold headlines of big pay for some higher-up hired hands, an old fact remains true: America still reserves its richest rewards not for those few who climb in corporate hierarchies, but for the many who dare, who risk, and who go into business for themselves."

With your help, we can keep it that way.

A handwritten signature in cursive script, appearing to read "Marlo Loeb".

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