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PORTER ON THE ECONOMY

Thank you. It's a pleasure to be here today to discuss our nation's economy and President Bush's economic program.

As the President noted when he presented his program to Congress on February 9, the challenges we face today are quite different than those which confronted President Reagan 8 years ago. At that time the nation was experiencing double digit inflation and was in the midst of a prolonged period of economic stagnation. Real wages had just taken their biggest decline since the Great Depression. Median family income, after adjusting for inflation, had fallen 10 percent below its 1973 high.

Today we find ourselves well into the seventh year of a record setting economic expansion. Inflation remains modest. Unemployment is at a 15 year low and a record proportion of adult Americans have jobs. Median family income, which hit a new high in 1987 and again in 1988 seems likely to hit yet another record high in 1989.

The times are different. The challenges are different. So, the precise policy prescriptions are different. Still, we wouldn't be enjoying our current prosperity if the basic principles established 8 years ago weren't the correct ones. The next four years are not going to witness a change in the underlying precepts of how the American economy should be run. But, those precepts are going to be applied to the challenges of the 1990s, not to the challenges we faced a decade ago.

If I were to sum up in a phrase what I see happening to economic policy in the next four years it would be, "Continuity of principle with a refinement of tactics". We have learned a lot in the 1980s. It would be foolish for us to throw away these valuable lessons. I might note that it is not only the Administration which has learned these lessons. The economics profession has learned some lessons as well. Economic thinking regarding appropriate monetary, fiscal, and regulatory policy has been refined considerably over the past decade. It is quite appropriate that these refinements be incorporated into the making of economic policy.

The most dramatic change in economic thinking has been a rejection of economic fine tuning as a viable economic policy and a renewed emphasis on policies to provide stabilization and growth over the long term. This stress on the long term soundness of economic policies is going to be a central theme for decision making in this Administration. What long term policies am I talking about?

First is the need for stable long term monetary growth consistent with low inflation. The Administration firmly supports the efforts of the Federal Reserve to control inflation and ultimately to achieve price stability. We do not believe that inflation is currently a serious economic problem. But, that is precisely why we must pursue an anti-inflationary policy now: before inflation gets to be a policy problem. We are willing to sacrifice short term electoral advantage in order to achieve lower inflation in the long term.

Second, we need to control the growth of federal spending. Between 1966 and 1986 federal spending grew at a compounded annual rate of 10.7 percent. This compares to annual inflation over the same period of only 6.1 percent and real economic growth of only 2.6 percent. It is simply ridiculous to expect real government spending to grow at a rate which is two thirds faster than the rate of growth of the real economy. In the long run such growth is mathematically impossible. In the short run it is economically ruinous.

Third, we need to keep tax rates as low as possible, consistent with urgent budgetary needs. Our experience with tax rate reduction in the early 1980s shows clearly that not only are very high marginal tax rates bad for the economy, they are also counterproductive when it comes to generating government revenue. The age of confiscatory taxation is over. We can no longer afford it.

The fourth long term economic principle we intend to follow is to limit government regulatory interference to those cases where it is better than the unregulated alternative. This does not mean a sudden rush to terminate government involvement in the economy. It does mean that government should only act when there is compelling evidence that its interference will make things better, not worse. Furthermore, in those areas where government intervention is necessary, it is important for us to constantly review our regulatory procedures to see if some less burdensome procedure is appropriate. Let me add that this principle of limited government intervention does not only apply to our

domestic markets, but to international trade as well. Free international trade under fair and open rules is a principle of minimum government intervention that is as old as Adam Smith.

These four basic economic principles: an anti-inflationary monetary policy, a reduction in the rate of growth of government spending, keeping tax rates as low as possible, and limiting government intervention, are sound ones. We will follow them not just out of some ideological commitment to free markets, though our ideological commitment is strong, but because over the long term they are the best prescription for a healthy, vigorous, and internationally competitive economy.

Today we would not be in the seventh year of economic recovery if these principles had not guided us through the 1980s. Back in 1980 few would have believed that we could have reduced unemployment to under 5.5 percent and kept inflation down to the 4 percent range. At that time most economists thought the inflation threshold rate of unemployment was in the 6 to 6.5 percent range. Indeed, it probably was. Lower taxes, consistent monetary policy, and a reduction in the harm done by government imposed regulations in the labor market have all helped to lower the inflation threshold rate of unemployment and help sustain our economic recovery.

We owe our current economic success to the reforms of the early 1980s. Those reforms eliminated the key bottlenecks that were holding back our economy from achieving its potential. Although the phrase is often misused, I consider these changes as "supply side" reforms because they increased the supply and

efficiency of the productive factors in the nation's economy. Supply side reforms don't work short term miracles, but they are essential to long term success.

Our policy today is to make those supply side reforms which will have the greatest effect on economic growth in the 1990s. To do that, we must identify those economic bottlenecks which are most likley to interfere with the economy in the future and make changes today, before they become serious. This is economic policy for the long term. It is the style of economic policy that our experience teaches us is right: not crisis management, but long-term crisis prevention.

The President outlined his program for the long term last February 9th. At the top of the list was our top economic priority: restoring fiscal balance. We must reduce the federal budget deficit. It is consuming too much of the private saving done in America and it is increasing our dependence on foreign capital. The President has submitted a four year deficit elimination program. Next year, if his proposals are enacted, the deficit will fall to $91.1 billion, or 1.7 percent of GNP, the lowest since 1979. Under the President's plan, the federal government will run a budget surplus in 1993, the first since 1969.

While eliminating the current deficit is an important near term objective, there is also a long term problem which we must confront as well. The current U.S. budget process is excessively cumbersome, provides insufficient budget authority to the President, and limits the ability of all of our elected officials

to make the tough calls on spending. We have reached the stage where the budget process is putting an upward bias on government spending and on the deficit.

The use of omnibus appropriations bills allows the formation of broad coalitions of special interests which would not have a chance to enact their special programs individually. The President is denied the ability to veto offensive and excessive spending provisions without shutting down whole sections of the government. The use of short term time horizons permits the enactment of programs which appear reasonable but quickly build into costly behemoths. Once an appropriation is made, the President lacks the authority to rescind any part of the appropriation, creating a "use it or lose it" mentality throughout the bureaucracy.

The President has proposed a detailed set of policies to bring our unwieldly budget process under control. When government is hamstrung by an inefficient spending procedure, the whole economy is adversely affected. Getting control of the current budget deficit is an important goal, but long term prosperity also requires us to get control of the budget process. The Federal Budget process represents the greatest economic bottleneck our economy faces in the forseeable future.

The second long term objective of the President's program is to get the private economy to take a longer view. This involves an increase in our national saving, a renewed willingness to take risks, more investment in high technology and basic research, and investments in several key areas.

At the top of this agenda is a reduction in the tax rate on long term capital gains. America stands alone among the major industrial countries of the world in taxing capital gains completely like ordinary income. The surging economies of East Asia, the so-called "four dragons": Hong Kong, Singapore, Taiwan, and South Korea all exempt capital gains entirely from tax. Japan had no tax on capital gains throughout its meteoric rise. West Germany, the most dynamic country in Europe, also exempts capital gains from taxation.

Our current tax system is not neutral toward entrepreneurship and risk. The tax man is a full partner with the successful company, but not with the company that doesn't make it. The prospect of capital gains is what attracts investors to supply their capital to new firms. President Bush's proposal to reduce the capital gains tax rate to a maximum of 15 percent is carefully crafted to have a maximum effect on increasing economic incentives with minimum potential for encouraging tax shelters. It is an important initiative for encouraging long term investing and entrepreneurship, without which the pace of job creation will slow and our competitive position erode. A high capital gains tax rate is the major inhibitor of long term expansion remaining in the tax code.

On the spending side, education is the key investments we must make today to avoid problems down the road. The President's budget contains both new money and new ideas for improving the quality of American education. There is no doubt in anyone's mind that our long term prospects depend crucially on the quality

of the education America's children receive today.

The President's budget contains other initiatives designed to address other potential long term economic bottlenecks. These include drug education, child care, and environmental quality. Each in their own way, these areas represent potential constraints on future economic growth. The central theme of this Administration's budget policy is to begin to deal with these problems today, before these potential constraints actually begin to limit our economy's ability to grow.

The final long term challenge we have is outside of the realm of the budget, and in many respects it is our most crucial challenge. We must do everything in our power to keep the world's trading system as free from government interference as possible. That means not only refraining from imposing tariffs and quotas ourselves, but encouraging others to adopt a free trade policy as well.

The 1990s will be a time of change on the trade front. Our recently ratified free trade agreement with Canada and the closer integration of the European Economic Community in 1992 offers the world an opportunity for still greater economic cooperation. These changes also open the possibility of greater protectionism if nations around the world choose to form tightly knit trading blocs.

Today, we see a move to free market principles at home and abroad which is unprecedented. Even the Soviets and the Chinese acknowledge the importance of markets and are freeing their economies in ways considered impossible just a decade ago.

It would be ironic if the nations of the western democracies chose to ignore the oldest lesson of free markets: free trade, at the same time that free market principles are in their ascendency.

I am an optimist by nature. I believe that we will maintain a basically free international trading order. I also believe that we will make substantial progress on our domestic economic agenda as well. This does not necessarily mean that every quarter in the next four years will have robust economic growth. We are not pursuing policies for the short run. If the President's program is adopted, and to a large extent it will be, we will stay on the path of continued economic recovery.

We economists have learned that we cannot repeal the business cycle by short run fine tuning. We cannot guarantee that sound long run policies will achieve the short term goals that fine tuning failed to accomplish. But we do know that on average, quarter after quarter, year after year, our nation's economy will do best if policy makers take the long view. We will continue with the basic principles of the recent past because, in the long run, they are the correct ones. But we will not gear our policies to refight the battles of the 1980s. Our success will be based on looking ahead to the 1990s and making the reforms today to prevent prospective economic problems from becoming binding economic constraints.

Thank you.

Themes/Points for Small Business Legislative Council

Competitiveness

Context: return from Asia, (Japan)

Points: 1. Competitiveness requires investment; our program fosters investment.

o captial gains tax reduction

o R&D tax credit made permanent

o education

--merit schools, fostering improvement

o VP Council on Competitiveness (assess regulation)

2. Flexibility in the Marketplace/Capacity to Redeploy Resources

o No mandated parental leave

o No mandated health insurance plan

o Provide for a training minimum wage at the current level along with a gradual increase in the existing minimum wage.

o Promote wide alternatives for child care solutions through a system of tax credits for lowincome parents; avoid federal standards and regulation. Examine insurance barriers for businesses interested in setting up child care facilities.

OEd & Yr.

Where are the economy's needed new jobs coming from? Not from government, but from the wonderful and often strange workings of an entrepreneurial economy.

How Gus Blythe smelled opportunity

By Dyan Machan

Gus Blythe, 28, may not be the next Steve Jobs, but like Jobs he found and exploited a market niche that bigger companies had neglected. Gus Blythe is the Steve Jobs of dirty shoes.

In 1981 Blythe was attending California Polytechnic and earning spending money working in a sporting goods store when he—literally—smelled a business opportunity. "I was constantly being asked by customers how they could keep their athletic shoes clean," Blythe says.

Blythe wasn't much interested in the courses he was taking to earn an agricultural degree, so he convinced his father, a wealthy California rancher, to allow him to tap his trust fund, set up to finance his education. Why not educate himself by doing, instead of by studying? Let him use the money to start a business. Opportunity? "There are over a billion athletic shoes in this country. Somebody's got to keep them clean."

With the help of a friend, Blythe found a chemist to formulate a cleaning fluid, and that was the start of SecondWind, of Paso Robles, Calif., in 1982. Since then Blythe says he has sold more than 2 million plastic bottles of the stuff for about $4 each.

Michael Carroll



Randall Wise of Animalens
Making chickens see red.

Besides satisfying Gus Blythe's itch to get out of school and into action, his thriving little business has created ten new jobs—in sales, warehousing and administration. This makes Blythe a small but not atypical example of the unleashed entrepreneurial forces that have in the past six years created at least 12.9 million jobs. Most of those jobs came from small companies. Many of these companies are bigger than Blythe's, but many are not. Companies with fewer than 20 employees are expected to create 35% of all new jobs next year.

Pessimists argue that too many manufacturing jobs have fled to cheaper labor markets overseas and that the newer jobs are represented by the "help wanted" ads at the shopping mall and local hamburger stand for minimum-wage jobs. "We are," they argue mindlessly, "becoming a nation of hamburger-flippers." False.

Fact is that at least half of the new jobs in the service economy are for managers and professionals. (Those "help wanted" notices at the hamburger joint signal something else—a scarcity of able and willing teenagers.) Of the new jobs, only 12% are low-paying, like fast-food workers and janitors. Low-wage jobs have actually been declining precipitously—resulting in hard-core unemployment among the unskilled and uneducated, but not in the economy at large.

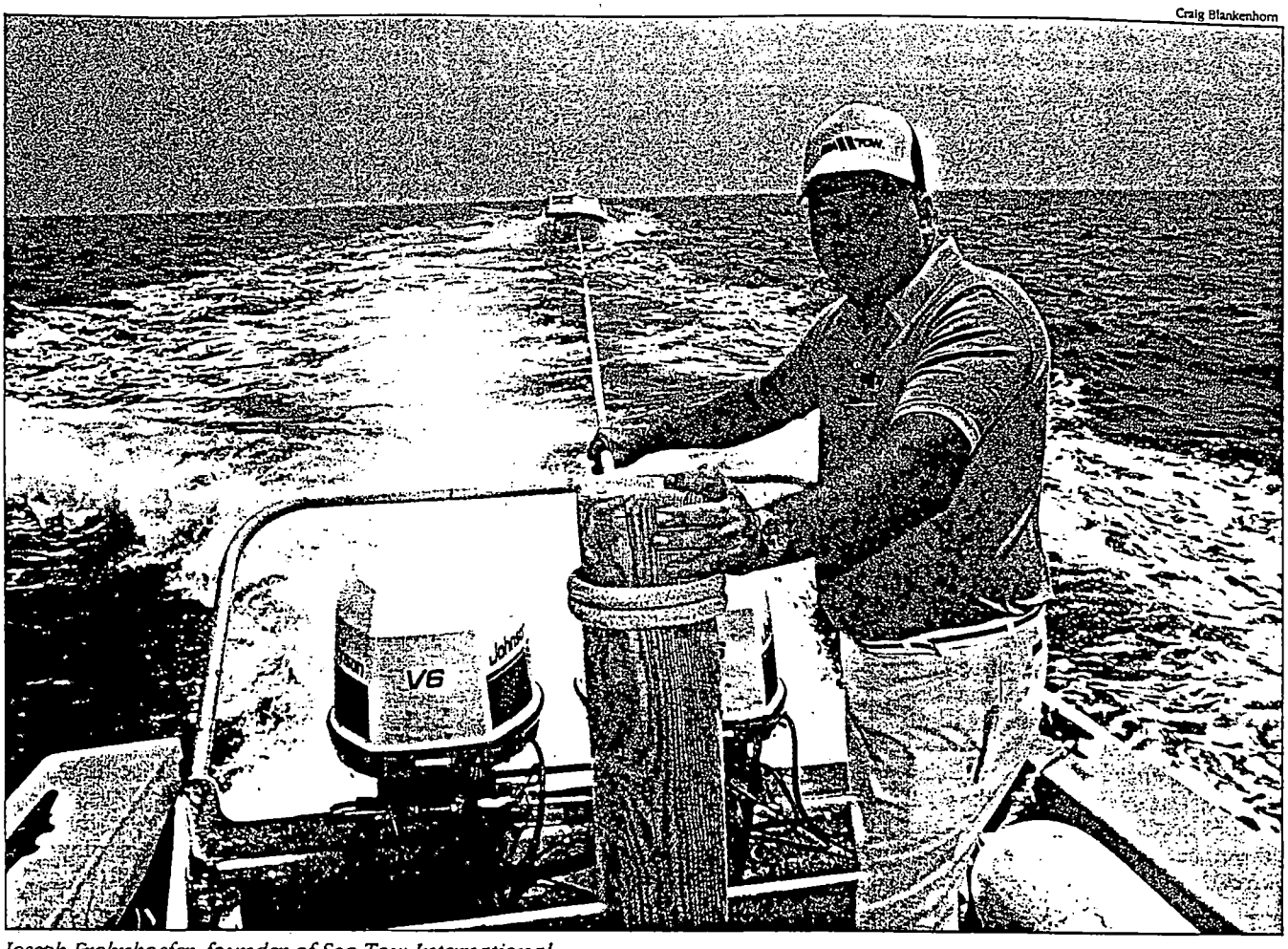
Why, then, the propaganda about hamburger-flipping? Because it's hard to keep track of the small, mostly private, jobmakers. Massive steel plant closings are big news. Multiple openings of small businesses are not.

Service work covers a bewildering variety. Take Randall Wise, of Wellesley, Mass., who's trying to build a business making contact lenses for chickens, or Karen Kimbrough, in New York, creating makeup for accident victims.

Or Gerald Goldhaber, who has made a tidy business as an expert on consumer warning labels. Goldhaber, 44, associate professor of the State University of New York-Buffalo communication department, has written a dozen books on communications theory. He had a thriving market research consulting business when he was asked to design a product warning label. More than just typing up some cautionary words, this involves some research to find out what consumers know—and what they don't know, because it is what they don't know that can lead to lawsuits.

In 1985 his Goldhaber Research Associates was studying where to place a

Craig Blankenhorn



Joseph Frohnhoefer, founder of Sea Tow International
With the Coast Guard chasing drug smugglers, somebody had to tow stranded boats.

warning for toxic shock syndrome on boxes of Playtex tampons. That earned his outfit $75,000 for about six months of effort, but here's the clever part: There was a built-in annuity. When Playtex was sued a few years later, who was their expert witness? Goldhaber, of course. Now that he's an expert in the field, Goldhaber can earn as much as $3,000 to $3,500 a day. Last year the company cleared $900,000 in pretax income on revenues of $2 million. Goldhaber employs 50, none at minimum wage.

Joseph Frohnhoefer was a high school shop teacher and part-time marine policeman in 1983, when the Coast Guard cut back on towing stranded pleasure boats to concentrate on running down drug smugglers. Frohnhoefer took his savings and started Sea Tow International in Southold, N.Y. For a $95 to $150 service contract, depending on boat size, customers get unlimited tows for a year. Frohnhoefer gets 12.5% a year from each of his 25 licensees.

Frohnhoefer has plenty of competition. Instead of referring a call for help to Sea Tow, the Coast Guard now issues an all-points bulletin, creating



John Lvzev/Dot

The founder of Esteem by Karen Kimbrough (left)
"Everyone wants to look like Christie Brinkley."

Sunglass Huts of America's Sanford Ziff
Selling $300 shades in 200 malls.

Bill Wax



a free-for-all for fishermen with a boat and a tow rope. If no one responds in ten minutes, the Coast Guard will do the run. Will Frohnhoefer's business sink? "Sometimes I wish I could be an employee," he sighs, but adds with resolve, "I don't quit." He's not in the black yet, but the business is growing. It currently employs six people directly, and licensees employ another 150. "We want to be the AAA of the water," Frohnhoefer says.

In the late 1970s Stanley Rhodes was in the natural-food wholesaling and retailing business. He noticed that some natural-food purveyors were regularly buying peanuts rejected by the big food processors like Skippy or Jif for containing aflatoxin, a toxic mold. "It was 'organic' in name only," says Rhodes. Consumers, Rhodes decided, "had no way to identify what was organic or not."

A chemist by training, Rhodes, 46, used all his $300,000 in savings to start NutriClean, in Oakland, Calif. The company tests a grower's produce for harmful chemicals. If it's clean, the grocer can advertise the product as NutriClean certified. "It's a sort of Good Housekeeping seal of approval," says its founder. Eight supermarket chains pay $100,000 a year or more for the service. The business employs 12 people. Low-paid menials? Hardly. Rhodes says his biggest problem is hiring enough entomologists, food technicians, chemists and marketing types to keep up with his demand.

When Randall Wise, 40, started his first company, Graphic Communications, he says, "Everything was on the line. The house, the car. I bet everything except the kid's education." Then came the payoff. In 1986 he sold the software company for a reported $12 million to Lotus Development Corp. and went to work for Lotus. But Wise decided he was more comfortable as employer than as employee. Leaving behind $200,000 in stock op-





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tions, he quit Lotus to start making contact lenses for chickens. The concept is not as crazy as it seems: Chickens have a gruesome habit of pecking one another to death, and 25% of the birds regularly die this way unless preventive measures are taken. Place red lenses on their eyes, and the fatality rate slips to 5% to 7%. Another strange benefit: Chickens with red lenses are less active and eat less. Wise figures Animalens, his Wellesley company, can shave a farmer's feedbill by 5%. Wise's new company employs six people.

Karen Kimbrough, 46, first started thinking about a special line of makeup for accident victims while working for Clinique. She noticed that women who had undergone reconstructive surgery or face-lifts were desperate for products that would cover bruises and make them look good. "Even with a serious disease, you still want to look like Christie Brinkley," she says.

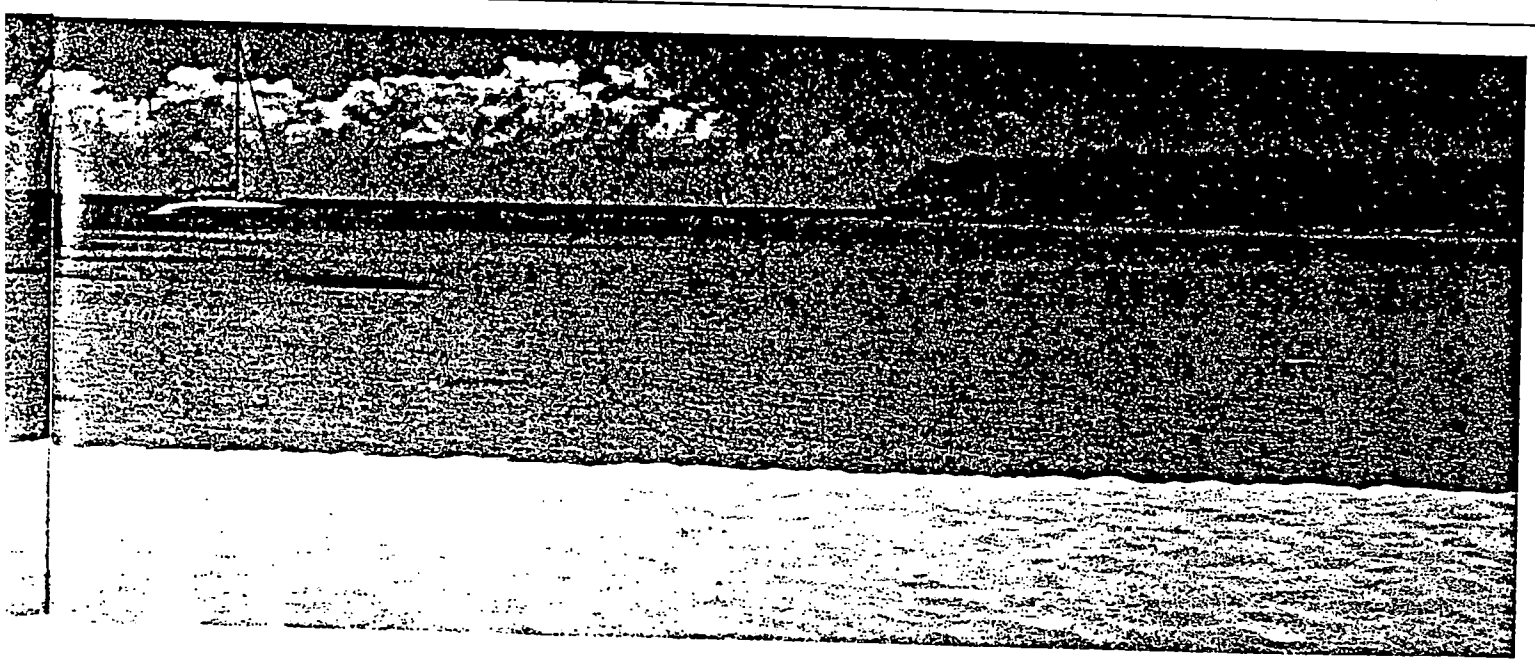
At first Kimbrough was afraid to go out on her own: "I was born in a small town in Louisiana and had no female role models. It was hard for me to visualize myself running a company." A friend helped her write a business plan, and another's contacts led to startup funds from Worms America.

Corporate Child Care's Marguerite Sallee
Turnkey child care centers.


Rich Mays

The result is a 21-product cosmetics line, Esteem by Karen Kimbrough, that is on sale in six hospital pharmacies. With five employees, Kimbrough is out beating the bushes for $2 million to $3 million from venture capitalists for that big marketing push.

Donald Beaver Jr., 36, of Bellwood, Pa., got his inspiration from the unlikely combination of his wife's nylon stockings and kitty litter. He left college to run janitorial services with contracts to clean offices and local plants in central Pennsylvania. He hated cleaning grease spills, common in most factories. That dirty job entailed tossing kitty litter on the spill, letting it absorb the muck, then



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sweeping it up. To be more efficient, he started stuffing the litter into his wife's old nylon stockings and using that to sponge up the mess. After running out of stockings, he switched to athletic socks he bought at the Salvation Army. "Can you believe it? I mean, it's so simple. For a long time, even I couldn't see it," says Beaver.

He called his homemade devices Pig, for Partners in Grime. In 1986 he started selling Pigs to factories. Now he's given up cleaning and runs Tipton, Pa.'s New Pig Corp., which sold $7.9 million worth of Pigs last year and is getting close to making a profit. That's about on track, says Beaver, who knows that few new businesses turn an immediate profit. Meanwhile, his company employs 139 people.

Gregory Hind, 42, a California athlete, and his friend Guy Wells, a teacher, built a flourishing business marketing earguards for water polo caps. Hind, who competed in the Pan American games in 1968, broke his own eardrum playing water polo. Hind-Wells, a San Luis Obispo company, didn't stop with making and selling earguards. "I mean, how many water polo players do you know?" asks Hinds. The company moved to swimming goggles and bathing suits.

In 1979 sales were $2.3 million. Wells wanted to do more contract work, but Hind, the son of Harry Hind, founder of contact lens solution maker Barnes-Hind, wanted to expand the line. Hind bought out Wells with $20,000 of his own money. On his own and into hock, Hind had to hit on something fast. A few years earlier a local runner had approached him and Wells, asking for something sleeker than baggy old sweatpants to run in. Hind fashioned the first pairs of nylon running tights and sold them locally. Then track star Willie Gault wore Hind's tights in a *Sports Illustrated* photograph, and the product took off. With earnings of $2.5 million on $21.3 million last year, Hind's next challenge is maintaining market share and coming up with the next big seller to keep his 400 employees busy when the fad cools off.

Mark Trousdale



Greg Hind, cofounder of Hind-Wells
Something sleeker than baggy old sweatpants.

These are not isolated episodes in the Great American Sitcom. They may seem offbeat, or extreme, but that's the way the new economy is: incredibly complex, making goods and services that previously did not exist and that no group of central planners, no matter how smart, could possibly engineer. In this thriving, brawling, ever changing service economy, people are also doing the more conventional things. Opening restaurants, publishing magazines, providing new services in important areas like child care, information services, convenience foods and even eye care.

For example, entrepreneurial individuals are paying a lot of attention to a dead-serious need in our society—day care for children of working couples. Marguerite Sallee, 42, runs Corporate Child Care in Nashville, offering turnkey child care centers for corporations that want to offer day care for their employees. The corporations pay $100,000 to $200,000 a year, depending on the number of children, the region and what the corporation provides, like space. Parents pay as little as $60 a week.

Or take eye care, in a society that is both increasingly faddish and increasingly myopic. Sanford Ziff, a 63-year-old optometrist in Miami, owns 51% of Sunglass Huts of America. These shops offer nonprescription sport and high-fashion sunglasses that run from $30 to $300 a pair. Ziff now has shops in 200 shopping malls.

Alfred Berg, Laurence Roth and Jeffrey White founded Marchon Eyewear Inc. in Melville, N.Y. Their firm imports eyeglass frames and distributes them to opticians. But they do it well. They ship frames the same day a doctor orders them. Marchon's sales have grown from $4 million in 1983 to $44 million last year. Berg is driving a Jaguar, White a Ferrari, and Roth is planning to move into a $2.2 million new house. Jobs created: 165 to date.

Carl Randall and David Shick are seeking to exploit a new food processing technique that extends the period that food can be kept safely under refrigeration. Their Sausalito, Calif.-based Culinary Brands sells freshly prepared foods that are sealed in airtight pouches, cooked under a vacuum and sent to restaurants. Extending refrigerated shelf life from days to weeks allows even fancy foods like seafood terrine and rack of lamb to be made in Sausalito and shipped to, say, a hotel in Boston that wouldn't have enough demand to keep a full-time chef employed.

In Portland, Me., Parker Poole III has set up a charge card service at gas stations that allows trucking fleets to get better control of their fuel, maintenance and clerical costs. His company, Wright Express, also supplies totally attendant-free gas stations with ATMs (automated teller machines) where the company credit cards can be used. Wright Express now has 20,000 vehicles using its credit cards. Jobs created: 40.

Eighty years ago, when the U.S. still supported 32 million farmers, it was hard for people to see that the factories springing up all over the landscape could possibly absorb the people no longer needed on the farms. What could these factories make? Who could afford to buy the products?

We hear the same refrain again. Then it was: How do we keep them down on the farm? Now it is: How do we keep them in steel mills and auto plants? If the young can't get work in the steel mills and auto factories, where then? Some of the answers are above. They will produce new goods and services that enrich our lives and enhance our productivity.

The federal government draws up standard industrial codes for every type of business in the nation. But nearly every five years it must drastically change the codes because so many new industries keep cropping up. This year codes had to be made to cover people like Gerald Goldhaber, the consumer labeling expert. Previously, Goldhaber would have been covered in a code called management and public relations. Because of growth in that area, in 1987 the government split the code into five: management services, management consulting services, public relations services, business consulting and commercial nonphysical research. The same thing happened to codes for software, health services and engineering and architectural firms. In its revision the government added 19 new codes just to cover the vast expansion in service industries.

But never mind government statistics. Flip through the Yellow Pages. In a major metropolitan area, you will find listings for dog psychologists, companies that do nothing but organize closets and drug rehabilitation centers for teenagers.

Do we really need all these new goods and services? Fashion sunglasses? Warning labels? People to organize our closets for us? Who is to say? Some folks—a good many—thought we didn't need the automobile. Jet travel—who needed to get to London in six hours? Computers—just toys.

Tom Zimberoff/Gamma-Liaison



Culinary Brands' Randall and Shick
Extending refrigerated shelf life from days to weeks.

Kin Brundage/Wheeler Pictures



Parker Poole, president, Wright Express
ATMs for gas stations.

Until goods and services are produced and face the test of the marketplace, nobody knows whether or not we really "need" them. And as the society becomes postindustrial, it becomes more complex, more specialized—and more efficient. Adam Smith's famed example of the pin factory has become refined to a point where the old Scotsman himself would be bewildered by the degree of specialization that exists today.

But does anybody doubt that modern life, for all its confusions and anxieties, is a lot more comfortable for the ordinary person than that of yesterday? That even the humblest employee of these new businesses has a better and more secure life than the menial worker of yesterday? Aren't we all really better off with warning labels? And with shoes that smell cleaner? ■

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The American Future: Points of Departure

David Halberstam, Daniel Bell, Walter Dean Burnham, Michael Sandel, Ralph Whitehead, John D. Kasarda, Mario Cuomo

The basic contours of America's future were defined during the 1980s: Competitive challenges in the global economy supplanted the Cold War as our key national security issue; a resurgence of traditional values occurred even as women became entrenched in politics and the labor market; the baby boomers came of age as a political force and a permanent underclass appeared in urban America. Finally, the debate between "Americans as individuals" and "America as a family" raised anew the issue of this nation's guiding ethos.

Over the past three years, NPQ addressed each of these issues as points of departure for the emergent American future.

Of Hubris and Hondas

David Halberstam *In both the* Best and the Brightest, *a study of the policy-makers of the Vietnam War, and in* The Reckoning, *an account of competition between the Japanese and American auto industries, Pulitzer prize-winning author David Halberstam documented how America's pride led to its fall.*

In the following article, which first appeared in the Fall, 1987 issue of NPQ, *Halberstam warns that we must discard the arrogance of success which has blinded this country to the abilities of nationalist guerillas and economic competitors alike.*

There are definite parallels between the American experience of confronting the Vietnamese in war and the Japanese in commercial competition. *The Best and the Brightest* is about the arrogance of power. *The Reckoning* is about the arrogance of affluence. Both books are about a nation that did not see the world was changing because it was caught up in its own myths.

World War II brought America kicking and screaming onto the scene of global power. We ended the war with more power than when we entered it. We were rich in a world that was poor. During the war we had pioneered in modern managerial systems and harnessed primitive computers to the industrial system. It seemed that the gods favored us and our power and affluence would go on forever. We perceived as a permanent condition that which was an historical fluke.

What happened in Vietnam and what is happening in America's industrial core today can be traced to the hubris caused by history's favor. We did not see the changing world. We did not give credit to other nations for being talented or for working hard. We squandered resources. Our business practices became astonishingly insular. One of my favorite quotes in *The Reckoning* is from former Michigan governor George Romney, talking about GM in the 1950s (and he might as well have been talking about America on the eve of entry into Vietnam): "Nothing is more vulnerable than entrenched success."

The McNamara Connection | The strategy of how to deal with Vietnamese nationalism was a product of the mentality of Ford Motor executives like Robert McNamara. He was the ultimate rational man who believed that the Viet Cong and North Vietnamese would act rationally, understand the power of technology, and end the war. During his time at Ford he was the symbol of the new modern business era, the new managerial class, with its numbers and computers, its contempt for tradition and the past, its contempt for the actual product, and for the old timers who knew how to make things.

The film *Platoon* brilliantly captures the fate of this mentality in the jungles of Vietnam. If you were a planner of that war, Vietnam looked like a small country and 500,000 men seemed like a lot of troops. But that steamy land swallowed up those US troops who, for all their might, could only control the ground on which they stood. *Platoon* shows how the terrain and the night deflect American technology, how power gets sucked down in a rice paddy. Soon the hunter becomes the hunted in this alien land and in this endless darkness. In the end of this movie, the commanders are calling in fire on their own men.

The Mistake of Disrespect | In Vietnam, we made the most serious mistake a power can make. We were not respectful of the enemy. By 1961, there was already considerable evidence that the enemy was very good. The Viet Cong were both tough and brave. They had a political system that provided endless recruits and they had brilliant leadership from top to bottom. They were an expression of powerful Asian nationalism and their system worked. We quite deliberately chose not to see that and defined the country's conflict in terms of communism and anti-communism.

Among Detroit auto executives, there was comparable contempt for the Japanese even as they were becoming an extraordinary new industrial player. In the mid 1970s when the Japanese built the best steel industry in the world, the joke among American automakers was, "If you scratch the door of a Japanese car, you can see the Budweiser can." That kind of foolish disrespect was right out of Vietnam.

When the Japanese first came here with autos in 1959, they made every mistake in the book. They brought small, underpowered, tank-like cars. But anyone who was paying attention could tell by 1966 they were getting very good.

They learned. They listened to the customers. They read American consumer magazines like bibles while Detroit executives thought they were edited by Ralph Nader. By 1968 Datsun brought out the 510, a very good car. Auto enthusiasts loved it. Detroit executives scoffed at it and didn't listen to the field and engineering levels where a profound respect had developed for the adversary.

During the Vietnam War, Washington told the field commanders what Washington wanted to hear. Similarly, Detroit executives told the engineering departments what they should think and the customers what they should want. So, Detroit executives continued to ignore the engineers' mail, the complaints of customers about warranties and the reports from Hertz that the quality of Japanese cars was greater than that of GM or Ford. They had contempt for their customers as well as their foreign competitors.

As in Vietnam, the reality became obscure. What neither Detroit nor Washington could see, I think, was a form of Asian nationalism. In Vietnam, the expression of it was political, attaining dignity by driving out the foreigners. In Japan, the aim was economic, attaining dignity by giving ordinary citizens, who in the past had lived under brutal conditions, a good job, a decent place to live, a good diet and a chance for their children to have a better education.

Detroit's Tet Offensive | The Tet Offensive opened our eyes in Vietnam. The auto industry's Tet came in 1979 when, in the immortal words of Lee Iacocca, "The Shah of Iran left town."

When the Shah left Teheran in 1979 and the price of oil quadrupled, Americans were caught with big cars while the Japanese produced all the small cars. Even more important, the Japanese had by then slowly and painstakingly built up a reputation for quality among customers and auto dealers. Detroit executives didn't believe this was true until their backs were against the wall. Then, when their people began to break down the cars and compare them, they were stunned at how much better the Japanese really were.

When they finally paid attention, Detroit understood that these unlikely challengers had come up with a very good system of production. In terms of manufacturing, the Japanese had become the true children of Henry Ford while the top people at our companies were now lawyers and business school graduates. The car men had all been replaced by financial men.

The "manufacturing men" at places like Ford, GM and Chrysler had become second class citizens. They got the smallest bonuses, the worst jobs, the smallest salaries. They had been to the wrong schools and they wore double-knit polyester jackets. The engineers lacked panache, but the people who ran the company could barely change a tire.

America's Reckoning | We are talking about the end of the "American Century" – the oil century which began with the first Model-T and ended with import quotas against Japanese subcompacts. We are talking about a more limited notion of American power, one in which we are still immensely powerful but in which our power has to be more carefully used.

We are not now, and no one else will ever be, as powerful and rich as America was from 1945-1975. We are now living in a new, unsentimental age for which we are not particularly well-suited. We are entering a highly competitive world in which knowledge and human resources, not military might and natural resources, will be the dominant aspects of power. Applied brain power,

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as exemplified coming of the Japanese, is more important than god-given natural resources.

The Shared Middle Class | It is a mistake to believe that the high-water mark of what the Japanese can do well is automobiles. There is a real hunger in Japan, a belief in the primacy of education and a lack of waste that is admirable. They are a part of the culture of adversity. From now on, America's culture of affluence is going to live in an age in which all kinds of other nations from the culture of adversity aspire to, and will attain, middle-class status.

That means America must shed a good deal of its arrogance. We must overcome the Pavlovian response that when something goes wrong it is the other guys who are somehow unfair. But the other guys aren't unfair in the way they flood engineers onto the factory floor. The other guys aren't unfair in the way they turn out twice as many engineers as we do. The other guys aren't unfair in making sure that elementary school kids can master their own language and have basic mathematical skills.

On Leadership | We haven't accepted the reckoning yet. I think people understand in a visceral sense that something terribly important has happened. They are desperate for someone who can honestly explain what has gone wrong and how it might be turned around. But I get no sense of leadership these days.

Although the problem we are dealing with here is not ideological, but societal, I must say that Ronald Reagan still sounds like one of those beer commercials aired during the 1984 Olympics about how America has come back.

But America hasn't come back. And the problem is not just in autos, but across the whole society. The average American family still does not realize that if its offspring do not study hard they are going to lose a job to someone in Korea or Japan. We're in trouble as long as the status of "nerd" is assigned to a male child of 15 in an average high school who gets good grades.

One of Ronald Reagan's big problems is that he does not think the Vietnam War was a mistake. He thinks we should have won. He does not have any respect for the Vietnamese and why they won. Failing that, it is very hard for him to learn anything much from that war or from other reality checks on America's sense of itself. He is obsessed with the things that might have obsessed a president in the mid-1950s and still acts as if the greatest danger to us is the Soviet Union. But the Russians can't even truck tomatos from Tblisi to Moscow and are being surpassed by Korea in industrial capacity! We place so much of our psychological energy into thinking about Nicaragua, a nation with two elevators, while the Japanese are building a supercomputer and the quintessential American car, the Mustang, may soon be made by Mazda.

That kind of leadership is a sign that America is not tempering itself, not reading its mail. We need to learn the lessons of our new challenge and not be pulled down by the ghosts of the past.

▲

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The Crisis of Authority

Daniel Bell, Walter Dean Burnham and Michael Sandel *Two decades of populist revolt have undermined the credibility of the liberal world-view. But has Reagan established an enduring political class with the earned authority to govern? If not, what comes after Reagan?*

In 1986, we gathered three leading thinkers around Harvard Sociologist Daniel Bell's dining room table in his home near Harvard Square to address these questions. Joining the discussion with Prof. Bell and NPQ Editor Nathan Gardels were Walter Dean Burnham, a leading political historian from MIT, and Michael Sandel, one of the most original young public philosophers at Harvard. The resulting conversation is a sober, penetrating, and even disturbing look at the American predicament.

Nathan Gardels | From the mid-1940s through the mid-1960s, a consensus held in American society that was presided over by the Liberal Establishment. Generally speaking, that consensus comprised an internationalist orientation, as well as a belief in New Deal social

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Scheduling
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Small Business Legislative Council®

January 20, 1989

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

I want to thank you for inviting me to visit with you on January 6th. I found the session to be informative and encouraging. I know you can count on our organization to support your efforts, and I hope we can continue the dialogue.

I would like to invite you to address a larger group of the SBLC membership. During the week of February 27 - March 3, 1989, we will have approximately 150 small business leaders and association executives in town for our annual meeting. I believe it would present an ideal opportunity for you to share your views with the leadership of 93 associations which reach nearly four million businesses. The attendees are primarily CEO's of businesses and our member associations, an influential group.

We are flexible in our arrangements and dates, and would be prepared to bring the group to the White House or Old Executive Office Building briefing room. The event could also provide an opportunity for your chief economic and small business advisors to discuss matters of mutual concern. The ideal date for us would be Wednesday, March 1, 1989.

The Small Business Legislative Council (SBLC) is a permanent, independent coalition of over ninety trade and professional associations that share a common commitment to the future of small business. Our members represent the interests of over four million small businesses in manufacturing, retailing, distribution, professional and technical services, construction, transportation and agriculture. A list of our members is attached.

1025 Vermont Avenue, NW/Suite 1201/Washington, D.C. 20005/(202) 639-8500

Again, I want to thank you for your invitation to us and to pledge our support to you.

Sincerely,

John S. Satagaj
President

JSS/s0007.cab
Enclosure



Members of the Small Business Legislative Council

Air Conditioning Contractors of America
Alliance of Independent Store Owners and Professionals
American Association of Nurserymen
American Collectors Association, Inc.
American Consulting Engineers Council
American Council of Independent Laboratories
American Dental Trade Association
American Floorcovering Association
American Machine Tool Distributors Association
American Road Transportation Builders Association
American Society of Travel Agents, Inc.
American Sod Producers Association
American Subcontractors Association
American Textile Machinery Association
American Trucking Associations, Inc.
American Warehousemen's Association
Architectural Precast Association
Associated Builders & Contractors
Associated Landscape Contractors of America
Association of Physical Fitness Centers
Association of Small Business Development Centers
Association of the Wall and Ceiling Industries-International
Automotive Service Association
Building Service Contractors Association International
Business Advertising Council
Christian Booksellers Association
Electronic Representatives Association
Florists' Transworld Delivery Association
Helicopter Association International
Hobby Industries of America
Independent Bakers Association
Independent Bankers Association of America
Independent Medical Distributors Association
Independent Sewing Machine Dealers Association
International Association of Refrigerated Warehouses
International Bottled Water Association
International Communications Industries Association
International Fence Industry Association
International Franchise Association
Latin American Manufacturers Association
Machinery Dealers National Association
Manufacturers Agents National Association
Mechanical Contractors Association of America, Inc.
Menswear Retailers of America
National Association for the Self-Employed
National Association of Brick Distributors
National Association of Catalog Showroom Merchandisers
National Association of Chemical Distributors
National Association of Development Companies
National Association of Home Builders
National Association of Investment Companies
National Association of Manufacturing Opticians
National Association of Personnel Consultants
National Association of Plumbing-Heating-Cooling Contractors
National Association of Realtors
National Association of Retail Druggists
National Association of Small Business Investment Companies
National Association of the Remodeling Industry
National Association of Truck Stop Operators
National Association of Women Business Owners
National Candy Wholesalers Association
National Campground Owners Association
National Chimney Sweep Guild
National Coffee Service Association
National Council for Industrial Innovation
National Electrical Contractors Association
National Fastener Distributors Association
National Grocers Association
National Independent Dairy-Foods Association
National Lumber & Building Material Dealers Association
National Machine Tool Builers' Association
National Moving and Storage Association
National Office Products Association
National Paperbox & Packaging Association
National Parking Association
Professional Plant Growers Association
National Precast Concrete Association
National Shoe Retailers Association
National Society of Public Accountants
National Tire Dealers & Retreaders Association
National Tooling and Machining Association
National Tour Association
National Venture Capital Association
Opticians Association of America
Petroleum Marketers Association of America
Printing Industries of America, Inc.
Professional Plant Growers Association
Retail Bakers of America
Small Business Council of America, Inc.
Smaller Manufacturers Council
Society of American Florists
Specialty Advertising Association International
The National Association of Passenger Vessel Owners
United Bus Owners of America

1025 Vermont Avenue, N.W., Suite 1201, Washington, DC 20005
PHONE NO.: (202) 639-8500 / FAX NO.: (202) 347-4777

3) Moshaiher/Dole?
2) Breeden def.
1) Petersmeyer def.

150-200 people SBLC

1 - Peggy - Thoughts?

Mel

[[Lange]]
2/23

DRAFT REMARKS
FOR THE
SMALL BUSINESS LEGISLATIVE COUNCIL
WASHINGTON, D.C.
WEDNESDAY, MARCH 1, 1989

Thank you, _____. It is good to be with you this afternoon. As you may have heard, I just finished a tour through several countries in the Pacific Rim.

They say that travel teaches tolerance. And it is true -- my hosts abroad were certainly tolerant of my experiments with their language.

I think one of my toasts might as well have been translated by the interpreter as: "Laugh politely at the peculiar American humor."

Maybe I should have asked **them** to read my lips.

This afternoon you've heard from Gregg Petersmeyer, Elizabeth Dole, and Robert Mosbacher -- three key members of the team here in Washington.

And now that you have a feeling for their ideas and priorities, let me encourage you to work with them. Tell them what you're thinking. They are civil servants in the truest sense -- and they are looking for ways to make this a responsive government, a government by the people.

You know, there are some who say that the sun is rising in the Far East. Some even suggest that it's setting here at home. Well, for them, I have news. The 21st century can be the next American century -- if we understand the challenges before us, and move to meet them together.

More than ever, the world is interconnected; interdependent; and changing rapidly. More than at any point in human history, our societies and economies rely one upon the other.

So competitiveness -- which seems to be on everybody's mind these days -- takes on a challenging new angle. It means more than just market share and earned income. And it's more than a zero-sum, winner-take-all game.

Since 1980, world trade volume has nearly doubled. Almost a fifth of our industrial production is now in exports. Goods and services circle the globe overnight. Capital changes hands in seconds.

In a world like that, all nations stand to benefit from the growth of their trading partners -- as long as markets are free and open.

This means that the goal of competitiveness is not simply to disadvantage the competition. It is to better deploy the advantages we have -- and to create new ones.

And that is why the work you do is so important. American small business has always been our most creative source of innovation and economic growth.

We've created 19 million new jobs in this country since the recovery began. That's five times the number of jobs created in Japan -- and small businesses are responsible for eight out of ten of them. Operations like yours make America work.

By creating jobs, you create opportunity. And while I'm President, government won't interfere with that. We intend to give you the freedom you need, to do what you do best. Because as well as we've done, we can do better.

Competitiveness demands flexibility in the marketplace. So we want to give employers and employees the flexibility to work out their own solutions, on issues like parental leave and health insurance. The wide range of alternatives and options that can be worked out at the local level always serve the best interests of those involved.

That's the driving principle behind our proposal on child care. Through a system of refundable tax credits, focused particularly on low-income parents; by avoiding burdensome federal standards and regulation that would limit family, church, and community-based care; and by examining the liability insurance barriers for businesses interested in providing child care options, we intend to put solutions -- and dollars -- in the hands of parents. We intend to promote choice in childcare.

We need more men and women willing to take risks. Entrepreneurs who invest their time, talents, and resources to build businesses. Unlock new markets. Unleash new technologies. And create new jobs. People who bring to the marketplace competitive products and quality services that are second to none in the world.

You know where the challenges are.

Last year a large survey of CEOs suggested that while American business leaders are inherently optimistic, they're aware that we have new and important work to do. Ninety percent of them said that American business is still too short term oriented.

I've built a business. Let me tell you, I know how tough it is. I understand the pressures you face. You don't need a lecture on the importance of savings and long-term investment. You need government that enables you to do what you **know** how to do.

Competitiveness demands investment, yes. That's one reason I support a differential in the capital gains tax -- cutting it to 15 percent on investments held for a year or more. All of our biggest trading partners, including Japan and West Germany, tax long-term capital gains modestly -- if at all.

I understand that Japan is thinking about raising these taxes. I don't know who's advising them -- but maybe they ought to be on our payroll.

Restoring the capital gains differential would be a powerful incentive for businesses to invest, to innovate, to grow, and to create jobs.

For managers, it would ease some of the relentless pressure of quarterly reporting -- and allow them to focus on longer-term goals and operations, get a leg up in new markets, and apply new techniques and technologies. For workers, it means more jobs, at better wages. For all Americans, it means a real, competitive difference in the world marketplace.

I am committed to a program of careful, systematic investment to assure our competitive future. And our budget is an important first step in that investment.

We have proposed a 13 percent increase for science and technology programs in 1990. And we intend to double the National Science Foundation's budget by 1993, to develop engineering and scientific computing research centers -- and to build the right links between university, government, and industry labs.

We are recommending a permanent extension of the R&D tax credit, to keep us at the forefront of technological innovation -- especially in basic research.

And we want to encourage more domestic research by multinationals, by stabilizing the R&E expense allocation rules. The uncertainty brought on by expiring temporary rules has gone on for two decades. Businesses should be able to make long-term research plans in a stable climate. It is time we created one.

We are determined to bring the deficit down -- with no new taxes -- by following Gramm-Rudman-Hollings targets and using **actual spending** as a frame of reference. You don't run your operations in a wonderland of perpetually expanding baselines -- and neither should government.

But the most important investment we can make, to assure a competitive future, is in training and education.

Jobs are becoming more demanding. The competition is getting tougher. Labor markets are getting tighter. So we'll need to do more to develop a highly-skilled, motivated, educated workforce.

You know, when I was building an oil business, we invested heavily in what was then a new technology -- off-shore drilling. Early on, we lost a drilling rig to a storm off the coast of Texas. I knew that whenever you're considering an investment, you rightly tend to focus on the risks involved.

Where training and education are concerned, the biggest risk is to **not** get involved.

American public education needs more of our support -- and less of our criticism. It's time to stop blaming the students -- stop blaming the schools -- stop blaming other institutions -- and start getting involved.

We should look to the vitality and strengths of our system, over those of our Asian neighbors -- and work to build strength through diversity.

Successful schools happen everywhere -- from rural communities to inner city neighborhoods. They are shaped by people with high expectations, from both the public and private sector, who work within the schools to bring about creative change.

This way of looking at it means that we are **all** accountable for the quality of our schools. This administration will work with governors on state curricula, student achievement, and teacher motivation and incentives.

We will expand Head Start, merit schools, and a college savings bond program. We will work to free our schools from the scourge of drugs. And we will be looking to you for help and guidance -- because good schools are good for business. Local initiatives have made for many success stories. We need more of them.

To compete successfully abroad, many of you will find yourselves competing for workers at home. I know managers who are seriously starting to worry about shortages of talented people.

But talented people are to be found and fostered among the young and underskilled, who need training. The older and more experienced, who need re-training. Dual career families, that need options. The disabled, or the disadvantaged, who need only a chance to prove their worth.

Opportunity doesn't necessarily knock on the door. It may be leaning against the wall or standing on the streetcorner, needing only to be seen for what it is.

In this, we need your leadership. The very heart of our ability to compete may depend on how well we enlist those who have, until now, been on the outskirts of economic growth. They will be needed.

Together we can move beyond the politics of inclusion, toward the **economics** of inclusion. We can build businesses that adapt, outwit, outmaneuver, and outproduce the competition.

We can achieve the kind of competitive advantage that comes from collective will -- and we can make sure the words "made in America" simply mean "the best there is."

THE WHITE HOUSE

WASHINGTON

February 21, 1989
KBK

MEMORANDUM

TO: David Demarest

FROM: JOSEPH W. HAGIN

SUBJECT: APPROVED PRESIDENTIAL ACTIVITY

EVENT: Address the Small Business Legislative Council

DATE: March 1, 1989

TIME: 2:30 p.m.

DURATION: 20 Minutes

LOCATION: East Room

ATTIRE: Business Suit

REMARKS REQUIRED: Yes

MEDIA COVERAGE: Open

FIRST LADY PARTICIPATION: No

ADDITIONAL INFORMATION:

CONTACT: _____, _____

TELEPHONE: OFFICE _____ HOME _____

NOTE: PROJECT OFFICER, SEE ATTACHED CHECKLIST

Ed Rogers	Marlin Fitzwater	David Bates
James Cicconi	David Demarest	David Valdez
Fred McClure	Jean Lamb	USSS - PPD
Susan Porter Rose	Steve Studdert	Operations - Executive Residence
Patty Presock	John Keller	WHCA Audio/Visual
Speechwriting Office	Tim McBride	WHCA Operations
Laurie Firestone	J Bonnie Newman	
Robert Guttman	Tony Lopez	

John Satagaj - 639-8500

Pres. of Orgs. + CEO

own small bus or CEO of trade assoc.

50/50

labor issues
tax
budget
product liability
dereg
Japan - not all free traders

PROPOSED TOWER INSERT (REVISED)
ADDRESS TO THE SMALL BUSINESS LEGISLATIVE COUNCIL
MARCH 1, 1989

BEFORE I BEGIN I'D LIKE TO TAKE THIS OPPORTUNITY TO COMMENT ON AN ISSUE OF PARTICULAR CURRENCY.

THE DEBATE OVER JOHN TOWER'S NOMINATION AS DEFENSE SECRETARY SHOULD BE BASED UPON PRINCIPLE AND POLICY. IT SHOULD NOT BE BASED ON RUMOR AND INNUENDO.

NO ONE DENIES THAT JOHN TOWER IS WELL QUALIFIED, HARD-NOSED, AND TOUGH. NO ONE DENIES THAT HE KNOWS THE PENTAGON AND HE KNOWS THE CONGRESS. THOSE ARE THE FACTS. AMERICANS, WHATEVER THEIR POLITICS, ARE COMMITTED TO FAIR PLAY AND DECENCY. ALL I AM ASKING, IN THE NAME OF FAIRNESS, IS THAT THIS MAN BE JUDGED ON THE FACTS, NOT ON MISPERCEPTION.

I'VE MADE MY DECISION. AND IT'S UNEQUIVOCAL. JOHN TOWER IS THE BEST MAN FOR THE JOB.

(Lange)
February 28, 1989
10:30 a.m.

1989 FEB 28 AM 10:49

PRESIDENTIAL REMARKS: SMALL BUSINESS LEGISLATIVE COUNCIL
WASHINGTON, D.C.
WEDNESDAY, MARCH 1, 1989

Thank you, [Bob]. It is good to be with you this afternoon. As you may know, I just finished a tour through several countries in the Pacific Rim.

They say that travel teaches tolerance. And it is true -- my hosts abroad were certainly tolerant of my experiments with their languages.

I think one of my toasts might as well have been translated by the interpreter as: "Laugh politely at the peculiar American humor."

This afternoon you've heard from Gregg Petersmeyer, Richard Breeden, and [Elizabeth Dole / Robert Mosbacher] -- three key members of the team here in Washington.

Why three if only 2 are listed?

And now that you have a feeling for their ideas and priorities, let me encourage you to work with them. Tell them what you're thinking. They know how to work with the private

sector -- and they are looking for ways to make this a responsive government, a government by and for the people.

While I was in Asia, I had a chance to think seriously about what sets our trading partners apart from us. I realized that we may have erected a barrier to our own success -- and deprived ourselves of vital long-term investment that our competitors have always enjoyed.

In a few minutes, I'm going to have a suggestion for those who argue in favor of protectionist intervention in the name of ~~fair trade~~.

The President normally uses the location "free and fair trade" to describe his policy. I would rewrite the sentence to read "... in favor of protectionism."

You kno[illegible]he economic cen[illegible]'s power is on the wane. Well, for them, I have news. The 21st century can be the <u>next</u> American century -- if we understand the challenges before us, and move to meet them together.

More than ever, the world is interconnected, interdependent, and changing rapidly. More than at any point in human history, our societies and economies rely one upon the other.

So competitiveness -- which is on everybody's mind these days -- takes on a challenging new angle. It means more than just market share and earned income. And it's more than

a zero-sum, winner-take-all game.

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In a world like that, all nations stand to benefit from the growth of their trading partners -- as long as markets are free and open.

This means that the goal of competitiveness is not simply to disadvantage the competition. It is to better deploy the advantages we have -- and to create new ones.

And that is why the work you do is so important. American small business has always been our most creative source of innovation and economic growth.

We've created 19 million new jobs in this country since the recovery began. Relative to population, that's more than twice the number of jobs created in Japan. In the U.S. private sector, small businesses are responsible for eight out ten jobs created. Businesses like yours make America work.

By creating jobs, you create opportunity. And while I'm President, government won't interfere with that. We will assure that you have the freedom you need, to do what you do best.

Competitiveness demands two things: flexibility in the marketplace, and the right kind of investment at home.

So we want to give employers and employees the flexibility to work out their <u>own</u> solutions, on issues like parental leave and health insurance. And we intend to promote the kind of investment that will allow every American to share in prosperity, and help to create more of it.

Decisions made -- and actions taken -- at the local level very often better serve the interests of those involved. What I'm talking about, here, is a fundamental American freedom: the freedom to choose.

That's the driving principle behind our proposal on child care. We want to establish a new, refundable Children's Tax Credit for low-income parents -- and make the existing child care tax credit refundable as well. We mean to avoid burdensome federal standards and regulation that would limit family, church, and community-based care. We will examine the liability insurance barriers for businesses interested in providing child care options.

We would like to put solutions -- and dollars -- in the hands of parents. We intend to promote choice in childcare.

Flexibility can also promote risk-taking. It's always been the basis for real achievements in business. So we need to find new ways to encourage men and women to take risks. We need entrepreneurs who will invest their time, talents, and resources to build businesses. Unlock new markets. Unleash new technologies. And create new jobs. People who bring to the marketplace competitive products and quality services that are second to none in the world.

You know what the challenges are.

Last year a large survey of CEOs suggested that while American business leaders are inherently optimistic, they're aware that we have new and important work to do. Ninety percent of them said that American business is still too short-term oriented.

I've built a business. Let me tell you, I know how tough it is. I understand the pressures you face. You don't need a lecture on the importance of savings and long-term investment. You need government that enables you to do what's good for business, and good for America.

We have argued that cutting the c.g. rate will bring money into the Treasury - hence it is not a tax cut, but a tax rate cut.

I would delete this sentence (see p. 2)

Competitiveness demands the right kind

For a long time now I have been saying that

competitive capital gains tax rate. If we a

American edge, we must give entrepreneurs an

businesspeople the incentive to keep dreamin

and keep creating good jobs for Americans.

I see a capital gains rate cut as an important way to free up ✓ American businesses, without distorting world markets. The economies of the Pacific Rim -- the "four dragons" of Hong Kong, Singapore, Taiwan, and South Korea -- all exempt capital gains entirely from tax. Japan also had no tax on capital gains during its meteoric rise to economic power.

I call on anyone who talks about ~~intervention in the name of fair trade~~ protectionism. to consider this:

By taxing capital gains, we impede our own progress -- and we turn the playing field into an uphill climb.

Restoring the capital gains differential would be a powerful incentive for businesses to invest, to innovate, to grow, and to create jobs.

For managers, it would ease some of the relentless pressure of quarterly reporting -- and allow them to focus on longer-term goals and operations, get a leg up in new markets, and apply new techniques and technologies. For workers, it means more jobs, at better wages. For all Americans, it means a real, competitive difference in the world marketplace.

I am committed to government policies that will allow business to invest with an eye toward the long term to assure our competitive future.

In my budget, I

We have proposed a 13 percent increase for science and technology programs in 1990. And we intend to stay on track in our effort to double the National Science Foundation's budget by 1993, to develop engineering and scientific computing research centers -- and to build the right links between university, government, and industry labs.

~~which we now refer to as a "research and experimentation - R+E - credit",~~

We are recommending a permanent extension of the R&D tax credit, to keep us at the forefront of technological innovation -- especially in basic research.

And we want to encourage more domestic research by multinationals, by stabilizing the ~~R&E~~ R&D expense allocation rules. The uncertainty brought on by expiring temporary rules has gone on for two decades. Businesses should be able to make long-term

research plans in a stable climate. Creating that climate is something government can -- should -- and will do.

We are determined to bring the deficit down -- with no new taxes. We have proposed a major budget reform to put our fiscal policy on a sound footing once and for all. We need to do away with the wonderland concept of "current services budgeting" -- a land of expanding baselines, where programs are assumed immortal, and "cuts" are actually increases. Federal policy should not start out with the presumption that government spending should go up and up.

But the most important investment we can make, to assure a competitive future, is in training and education.

Jobs are becoming more demanding. The competition is getting tougher. Labor markets are getting tighter. So we'll need to do more to develop a highly-skilled, motivated, educated workforce.

You know, when I was building an oil business, we invested heavily in what was then a new technology -- off-shore drilling. Early on, we lost a drilling rig to a storm off the coast of Texas. I knew that whenever you consider an investment, you rightly tend to focus on the risks involved.

But where training and education are concerned, the biggest risk is to not get involved.

American public education needs more of our support. All of us -- teachers, parents, administrators, local officials, private industry -- all of us have a responsibility to ensure that our educational system is second to none.

We should look to the vitality of our system -- and work to build strength through diversity.

Successful schools happen everywhere -- from rural communities to inner city neighborhoods. They are shaped by people with high expectations, from both the public and private sector, who work within the schools to bring about needed improvements.

This way of looking at it means that we are all accountable for the quality of our schools. We need to strengthen incentives to do better -- and we have a mandate to do just that.

We will expand Head Start, reward schools that improve, and recognize outstanding teachers. We will establish a National Science Scholars Program. We will work to free our schools from the pestilence of drugs.

And we will be looking to you for help and guidance -- because good schools are good for business. Many of you are already involved with local schools, doing important work for the future of your communities, and your country. More can be done. And I know you'll be there when we need you.

To compete successfully abroad, many of you will find yourselves competing for workers at home. I know managers who are seriously starting to worry about shortages of talented people.

There is a larger, untapped source of talent in this country. Such people are to be found and fostered among the young and underskilled, who need training. The older and more experienced, who need re-training. The disadvantaged, whose lives can be turned to advantage. Disabled workers, who ask only for a chance to prove their ability. Dual career families, who need options.

Opportunity doesn't necessarily knock on the door. It may be leaning against the wall or standing on the streetcorner, needing only to be seen for what it is.

In this, we need your leadership. The very heart of our ability to compete may depend on how well we enlist those who

have, until now, been on the outskirts of economic growth. They will be needed.

Together we can build businesses that outwit, outmaneuver, outproduce, and outperform the competition.

We can achieve the kind of competitive advantage that comes from collective will. And we can make sure the words "Made in the U.S.A." simply mean "the best there is."

Thank you. And God bless you.

PORTER ON THE ECONOMY

Thank you. It's a pleasure to be here today to discuss our nation's economy and President Bush's economic program.

As the President noted when he presented his program to Congress on February 9, the challenges we face today are quite different than those which confronted President Reagan 8 years ago. At that time the nation was experiencing double digit inflation and was in the midst of a prolonged period of economic stagnation. Real wages had just taken their biggest decline since the Great Depression. Median family income, after adjusting for inflation, had fallen 10 percent below its 1973 high.

Today we find ourselves well into the seventh year of a record setting economic expansion. Inflation remains modest. Unemployment is at a 15 year low and a record proportion of adult Americans have jobs. Median family income, which hit a new high in 1987 and again in 1988 seems likely to hit yet another record high in 1989.

The times are different. The challenges are different. So, the precise policy prescriptions are different. Still, we wouldn't be enjoying our current prosperity if the basic principles established 8 years ago weren't the correct ones. The next four years are not going to witness a change in the underlying precepts of how the American economy should be run. But, those precepts are going to be applied to the challenges of the 1990s, not to the challenges we faced a decade ago.

If I were to sum up in a phrase what I see happening to economic policy in the next four years it would be, "Continuity of principle with a refinement of tactics". We have learned a lot in the 1980s. It would be foolish for us to throw away these valuable lessons. I might note that it is not only the Administration which has learned these lessons. The economics profession has learned some lessons as well. Economic thinking regarding appropriate monetary, fiscal, and regulatory policy has been refined considerably over the past decade. It is quite appropriate that these refinements be incorporated into the making of economic policy.

The most dramatic change in economic thinking has been a rejection of economic fine tuning as a viable economic policy and a renewed emphasis on policies to provide stabilization and growth over the long term. This stress on the long term soundness of economic policies is going to be a central theme for decision making in this Administration. What long term policies am I talking about?

First is the need for stable long term monetary growth consistent with low inflation. The Administration firmly supports the efforts of the Federal Reserve to control inflation and ultimately to achieve price stability. We do not believe that inflation is currently a serious economic problem. But, that is precisely why we must pursue an anti-inflationary policy now: before inflation gets to be a policy problem. We are willing to sacrifice short term electoral advantage in order to achieve lower inflation in the long term.

Second, we need to control the growth of federal spending. Between 1966 and 1986 federal spending grew at a compounded annual rate of 10.7 percent. This compares to annual inflation over the same period of only 6.1 percent and real economic growth of only 2.6 percent. It is simply ridiculous to expect real government spending to grow at a rate which is two thirds faster than the rate of growth of the real economy. In the long run such growth is mathematically impossible. In the short run it is economically ruinous.

Third, we need to keep tax rates as low as possible, consistent with urgent budgetary needs. Our experience with tax rate reduction in the early 1980s shows clearly that not only are very high marginal tax rates bad for the economy, they are also counterproductive when it comes to generating government revenue. The age of confiscatory taxation is over. We can no longer afford it.

The fourth long term economic principle we intend to follow is to limit government regulatory interference to those cases where it is better than the unregulated alternative. This does not mean a sudden rush to terminate government involvement in the economy. It does mean that government should only act when there is compelling evidence that its interference will make things better, not worse. Furthermore, in those areas where government intervention is necessary, it is important for us to constantly review our regulatory procedures to see if some less burdensome procedure is appropriate. Let me add that this principle of limited government intervention does not only apply to our

domestic markets, but to international trade as well. Free international trade under fair and open rules is a principle of minimum government intervention that is as old as Adam Smith.

These four basic economic principles: an anti-inflationary monetary policy, a reduction in the rate of growth of government spending, keeping tax rates as low as possible, and limiting government intervention, are sound ones. We will follow them not just out of some ideological commitment to free markets, though our ideological commitment is strong, but because over the long term they are the best prescription for a healthy, vigorous, and internationally competitive economy.

Today we would not be in the seventh year of economic recovery if these principles had not guided us through the 1980s. Back in 1980 few would have believed that we could have reduced unemployment to under 5.5 percent and kept inflation down to the 4 percent range. At that time most economists thought the inflation threshold rate of unemployment was in the 6 to 6.5 percent range. Indeed, it probably was. Lower taxes, consistent monetary policy, and a reduction in the harm done by government imposed regulations in the labor market have all helped to lower the inflation threshold rate of unemployment and help sustain our economic recovery.

We owe our current economic success to the reforms of the early 1980s. Those reforms eliminated the key bottlenecks that were holding back our economy from achieving its potential. Although the phrase is often misused, I consider these changes as "supply side" reforms because they increased the supply and

efficiency of the productive factors in the nation's economy. Supply side reforms don't work short term miracles, but they are essential to long term success.

Our policy today is to make those supply side reforms which will have the greatest effect on economic growth in the 1990s. To do that, we must identify those economic bottlenecks which are most likley to interfere with the economy in the future and make changes today, before they become serious. This is economic policy for the long term. It is the style of economic policy that our experience teaches us is right: not crisis management, but long-term crisis prevention.

The President outlined his program for the long term last February 9th. At the top of the list was our top economic priority: restoring fiscal balance. We must reduce the federal budget deficit. It is consuming too much of the private saving done in America and it is increasing our dependence on foreign capital. The President has submitted a four year deficit elimination program. Next year, if his proposals are enacted, the deficit will fall to $91.1 billion, or 1.7 percent of GNP, the lowest since 1979. Under the President's plan, the federal government will run a budget surplus in 1993, the first since 1969.

While eliminating the current deficit is an important near term objective, there is also a long term problem which we must confront as well. The current U.S. budget process is excessively cumbersome, provides insufficient budget authority to the President, and limits the ability of all of our elected officials

to make the tough calls on spending. We have reached the stage where the budget process is putting an upward bias on government spending and on the deficit.

The use of omnibus appropriations bills allows the formation of broad coalitions of special interests which would not have a chance to enact their special programs individually. The President is denied the ability to veto offensive and excessive spending provisions without shutting down whole sections of the government. The use of short term time horizons permits the enactment of programs which appear reasonable but quickly build into costly behemoths. Once an appropriation is made, the President lacks the authority to rescind any part of the appropriation, creating a "use it or lose it" mentality throughout the bureaucracy.

The President has proposed a detailed set of policies to bring our unwieldly budget process under control. When government is hamstrung by an inefficient spending procedure, the whole economy is adversely affected. Getting control of the current budget deficit is an important goal, but long term prosperity also requires us to get control of the budget process. The Federal Budget process represents the greatest economic bottleneck our economy faces in the forseeable future.

The second long term objective of the President's program is to get the private economy to take a longer view. This involves an increase in our national saving, a renewed willingness to take risks, more investment in high technology and basic research, and investments in several key areas.

At the top of this agenda is a reduction in the tax rate on long term capital gains. America stands alone among the major industrial countries of the world in taxing capital gains completely like ordinary income. The surging economies of East Asia, the so-called "four dragons": Hong Kong, Singapore, Taiwan, and South Korea all exempt capital gains entirely from tax. Japan had no tax on capital gains throughout its meteoric rise. West Germany, the most dynamic country in Europe, also exempts capital gains from taxation.

Our current tax system is not neutral toward entrepreneurship and risk. The tax man is a full partner with the successful company, but not with the company that doesn't make it. The prospect of capital gains is what attracts investors to supply their capital to new firms. President Bush's proposal to reduce the capital gains tax rate to a maximum of 15 percent is carefully crafted to have a maximum effect on increasing economic incentives with minimum potential for encouraging tax shelters. It is an important initiative for encouraging long term investing and entrepreneurship, without which the pace of job creation will slow and our competitive position erode. A high capital gains tax rate is the major inhibitor of long term expansion remaining in the tax code.

On the spending side, education is the key investments we must make today to avoid problems down the road. The President's budget contains both new money and new ideas for improving the quality of American education. There is no doubt in anyone's mind that our long term prospects depend crucially on the quality

of the education America's children receive today.

The President's budget contains other initiatives designed to address other potential long term economic bottlenecks. These include drug education, child care, and environmental quality. Each in their own way, these areas represent potential constraints on future economic growth. The central theme of this Administration's budget policy is to begin to deal with these problems today, before these potential constraints actually begin to limit our economy's ability to grow.

The final long term challenge we have is outside of the realm of the budget, and in many respects it is our most crucial challenge. We must do everything in our power to keep the world's trading system as free from government interference as possible. That means not only refraining from imposing tariffs and quotas ourselves, but encouraging others to adopt a free trade policy as well.

The 1990s will be a time of change on the trade front. Our recently ratified free trade agreement with Canada and the closer integration of the European Economic Community in 1992 offers the world an opportunity for still greater economic cooperation. These changes also open the possibility of greater protectionism if nations around the world choose to form tightly knit trading blocs.

Today, we see a move to free market principles at home and abroad which is unprecedented. Even the Soviets and the Chinese acknowledge the importance of markets and are freeing their economies in ways considered impossible just a decade ago.

It would be ironic if the nations of the western democracies chose to ignore the oldest lesson of free markets: free trade, at the same time that free market principles are in their ascendency.

I am an optimist by nature. I believe that we will maintain a basically free international trading order. I also believe that we will make substantial progress on our domestic economic agenda as well. This does not necessarily mean that every quarter in the next four years will have robust economic growth. We are not pursuing policies for the short run. If the President's program is adopted, and to a large extent it will be, we will stay on the path of continued economic recovery.

We economists have learned that we cannot repeal the business cycle by short run fine tuning. We cannot guarantee that sound long run policies will achieve the short term goals that fine tuning failed to accomplish. But we do know that on average, quarter after quarter, year after year, our nation's economy will do best if policy makers take the long view. We will continue with the basic principles of the recent past because, in the long run, they are the correct ones. But we will not gear our policies to refight the battles of the 1980s. Our success will be based on looking ahead to the 1990s and making the reforms today to prevent prospective economic problems from becoming binding economic constraints.

Thank you.

★833★ NATIONAL WOMEN'S ECONOMIC ALLIANCE (Business) (NWEA)
605 14th St., N.W., Suite 900 Phone: (202) 393-5257
Washington, DC 20005 Patricia Harrison, Pres.
Founded: 1983. **Members:** 1500. Executive level women and men. Promotes dialogue among men and women in industry, business, and government. Focuses on professional, economic, and career concerns and how to address these issues within the framework of the free enterprise system. Conducts leadership seminars; offers placement service; maintains biographical archives; bestows awards. **Computerized Services:** Data base of women on corporate boards. **Telecommunications Services:** Telex, 756546. **Publications:** (1) Alliance News, bimonthly; (2) Directory of Women Serving on Corporate Boards, annual; (3) Policy Papers, periodic; also publishes America's New Women Entrepreneurs (book). **Convention/Meeting:** annual, with forum - 1988 Dec. 3, Washington, DC.

★834★ NETWORK OF SMALL BUSINESSES (NSB)
5420 Mayfield Rd., Suite 205 Phone: (216) 442-5600
Lyndhurst, OH 44124 Irwin Friedman, Chm.
Founded: 1986. **Members:** 300. **Budget:** Less than $25,000. **Regional Groups:** 1. **State Groups:** 1. **Local Groups:** 1. Owners of and individuals involved in small businesses. Aims to obtain new customers, new sources of supply, and low-cost cooperative advertising for members. Offers health insurance programs, liability insurance funding, and loan assistance; provides legal advice and employee benefit counseling. Conducts forums to discuss experiences, common problems, successes, and setbacks. Serves as a unified voice on political issues relevant to small businesses. Maintains speakers' bureau; compiles statistics; bestows awards. Holds annual seminars. **Publications:** (1) Network of Small Businesses Newsletter, monthly (September-May); (2) Directory, periodic. **Convention/Meeting:** monthly (with exhibits) - always Cleveland, OH.

★835★ NETWORKS UNLIMITED, INC. (Business) (NUI)
337 44th St., #6
Brooklyn, NY 11220 Alina Novak, Pres.
Founded: 1979. **Members:** 200. Individuals in business or the professions who are interested in furthering the process of networking (the planned acquisition of contacts for support, information, and doing business). Conducts monthly educational meetings on topics of interest. Maintains holdings of tapes on The Basics of Networking and speeches on Networks and Networking. Bestows awards; maintains placement services; operates speakers' bureau; compiles statistics. **Publications:** (1) Networking News, quarterly; (2) Membership Directory, annual. Presently inactive.

★836★ NORTH AMERICAN ASSOCIATION OF INVENTORY SERVICES (Business) (NAAIS)
1609 Holbrook St. Phone: (919) 294-2216
Greensboro, NC 27403 Lois Rasnake, Exec.Dir.
Founded: 1982. **Members:** 44. **Budget:** Less than $25,000. Independent inventory services; individuals interested in the inventory industry; individuals outside the industry who have performed notable service. To promote activities aimed at enabling the inventory service to operate with the greatest efficiency and maintain high standards of conduct; to provide a clearinghouse and medium for the benefit of owners of businesses and shops involving the utilization and maintenance of product inventories; to consider and deal with problems of operation and management, such as those associated with customer accounts and employment. Disseminates business information on the inventory service industry. Maintains speakers' bureau; compiles statistics. **Publications:** NAAIS Newsletter, quarterly. **Convention/Meeting:** quarterly (with exhibits).

★837★ POWERLUNCH! (Business)
P.O. Box 21280 Phone: (202) 265-EATT
Washington, DC 20009 Sandy A. Crowe, Pres.
Founded: 1986. **Members:** 100. **Staff:** 2. **For-Profit.** Seeks to enhance networking capabilities by matching an individual seeking a specific type of information with someone in that field. Capitalizes on the concept "it's not what you know, but who you know." Activities are currently limited to the Washington, DC area; plans to expand nationally. **Publications:** Powerluncher, quarterly; also publishes calendar of events. **Convention/Meeting:** monthly.

★838★ PRESIDENTS ASSOCIATION (Business) (PA)
135 W. 50th St. Phone: (212) 586-8100
New York, NY 10020 John Walsh, Exec.Dir.
Founded: 1961. A division of American Management Association (see separate entry). Presidents, board chairmen, and chief executive officers of private and public sector organizations. Conducts Presidents course and courses and seminars on professional management and other topics of interest. **Publications:** The President (newsletter), monthly; also publishes Special Studies (research papers). **Formerly:** (1965) Presidents' Professional Association.

★839★ PROFESSIONAL SECRETARIES INTERNATIONAL (Business) (PSI)
301 E. Armour Blvd. Phone: (816) 531-7010
Kansas City, MO 64111 Jerome A. Heitman, Exec.Dir.
Founded: 1942. **Members:** 44,166. **Staff:** 30. **Budget:** $2,000,000. **Local Groups:** 800. Professional organization of secretaries. Grants certificate of CPS (Certified Professional Secretary) for successful completion of examinations in behavioral science in business, business law, economics and management, accounting, office administration and communication, and office technology; monitors related legislative and governmental activities; sponsors audiovisual productions; provides group insurance plans. Sponsors Professional Secretaries' Week and selects International Secretary of the Year. Has established the PSI Research and Educational Foundation to develop research and educational projects for secretaries, management, and educators. Has also established Professional Secretaries International Retirement Centers Trust to acquire and maintain a home for needy and elderly secretaries in Albuquerque, NM. **Departments:** Institute for Certifying Secretaries (which administers examination for CPS Certificate); Institute for Educating Secretaries (which administers student organizations). **Publications:** The Secretary Magazine, 9/year. **Absorbed:** (1950) Secretaries International; (1986) National Association of Collegiate Secretaries. **Formerly:** (1981) National Secretaries Association (International). **Convention/Meeting:** annual (with exhibits) - 1989 July 16-21, San Antonio, TX; 1990 July 22-27, Salt Lake City, UT; 1991 July 21-26, Dallas, TX; 1992 July 19-24, Columbus, OH. Also holds annual conference and biennial Secretary Speakout and Symposium.

★840★ SERVICE CORPS OF RETIRED EXECUTIVES ASSOCIATION (Business) (SCORE)
1129 20th St., N.W., Suite 410 Phone: (202) 653-6279
Washington, DC 20036 Paul F. Eisman, Exec.Dir.
Founded: 1964. **Members:** 12,000. **Budget:** $2,100,000. **Regional Groups:** 10. District Groups: 65. **Local Groups:** 400. Volunteer program sponsored by U.S. Small Business Administration in which active and retired businessmen and businesswomen provide free management assistance to men and women who are considering starting a small business, encountering problems with their business, or expanding their business. Maintains the Active Corps of Executives, whose members provide special counseling talents to supplement SCORE's other resources. (ACE was founded in 1968 and sponsored by the U.S. Small Business Administration until 1981.) Plans to hold 25th anniversary conference. **Publications:** The Savant, monthly; also publishes Handbook for Counselors. **Formerly:** (1980) Service Corps of Retired Executives. **Convention/Meeting:** quarterly conference.

★841★ SMALL BUSINESS ASSISTANCE CENTER (SBAC)
554 Main St. Phone: (617) 756-3513
Worcester, MA 01601 Francis R. Carroll, Pres.
Founded: 1967. **Members:** 35,000. **For-Profit.** A division of the Small Business Service Bureau (see separate entry). Businesses with less than 100 employees. Offers planning and strategy programs to aid businesspersons in starting, improving, or expanding small businesses. Disseminates guides, manuals, and other materials on small business operations. Offers trade assistance to the People's Republic of China. Maintains speakers' bureau; compiles statistics. **Computerized Services:** Data base; mailing list. **Publications:** (1) Legislative News, 6/year; (2) SBSB Bulletin, 6/year. **Convention/Meeting:** None.

★842★ SMALL BUSINESS FOUNDATION OF AMERICA (SBFA)
20 Park Plaza, Suite 438 Phone: (617) 350-5096
Boston, MA 02116 Regina Tracy, Admin.
Founded: 1976. **Staff:** 1. Charitable organization that raises funds for education and research on small businesses. Conducts seminars; encourages youth economic education programs. Sponsors charitable program; cosponsors conference on small business research. Publishes Exportise - A Handbook on Exporting, Planning for Technology, Job Generation through High Technology, and How to Start and Continue a Small Business Trade Association.

★843★ SMALL BUSINESS LEGISLATIVE COUNCIL (SBLC)
1025 Vermont Ave., N.W., Suite 1201 Phone: (202) 639-8500
Washington, DC 20006 John Satagaj, Pres.
Founded: 1977. **Members:** 90. **Staff:** 2. Trade and professional associations representing 4.5 million small businesses. Maximizes the influence of small businesses; presents expert testimony before Congress; works with executive agencies on behalf of small business interests. Conducts seminars; bestows awards. **Committees:** Anti-Trust; Capital Formation; Employment Issues and Pension Laws; Environment; Government Procurement; Tax Policy. **Task Forces:** Liability Insurance/Tort Reform. **Publications:** Newsletter, monthly; also publishes brochure. **Convention/Meeting:** annual - always Washington, DC.

DEJA VU ALL OVER AGAIN

The battle over mandated benefits is certain to be replayed in the new Congress. What's not so certain is the outcome

BY JAY FINEGAN

As the curtain rises on the 101st Congress, the business community can brace itself for a spirited performance of "Mandated Benefits: The Sequel."

You may recall that the 100th Congress produced a barrage of bills aimed at elevating the welfare of American workers. The list is familiar: an increased minimum wage, parental leave, mandatory health insurance, and the like. Proponents called them "marketplace solutions" to workforce problems. Critics called them "backdoor taxes" on employers. And everyone called them mandated benefits.

They provoked intense political infighting, and, in the end, none passed. Most fell victim to dogged Republican filibustering on the Senate floor. But the voters have returned virtually the same cast of congressional characters, guaranteeing that the battles will be refought. "We're going right back into the trenches," says John Motley, chief lobbyist for the National Federation of Independent Business, whose membership rose from 500,000 companies to 570,000 in the past two years, largely due to the mandated-benefits controversy.

What riles business is that mandated benefits install the government squarely behind management's desk. They set terms of employment, raise labor costs, and curb flexibility in designing compensation packages.



MIRKO ILIC

To be sure, mandated benefits are not new, nor are they all unwarranted. As long ago as the 1930s, the feds have been active in legislating benefits and working conditions. Congress passed child-labor laws and the 40-hour workweek, for example, and banned sweatshop conditions. Social Security itself is a mandated benefit, as are unemployment insurance and workers' compensation. More recently, federal courts have joined in, ruling that employees cannot be terminated "at will"—that is, without cause.

This new wave represents what critics call the "Europeanization" of U.S. labor. Nobody knows what the new lineup of mandated benefits will cost. All manner of think tanks and analysts jumped into the mandates debate last time, trying to forecast the effect on operating costs, job growth, and company formation and failure.

"Supporters of mandated benefits seem to live under the illusion that the employer will bear the costs in terms of reduced profits," reported the nonprofit Institute for Research on the Economics of Taxation (IRET). "While employers may suffer some profit loss at first, ultimately workers will bear the full costs in terms of pay packages that are less satisfying, pay levels that are lower, and unemployment." The burden would be spread among consumers, too, in the form of higher prices.

The action this time is likely to be more interesting—and unpredictable. The wild card is President Bush. Ronald Reagan could be counted on to use his veto stamp. Bush is thought to be more prone to compromise. Herewith, the mandated benefits that will be in the news:

Minimum wage. Senator Edward Kennedy (D-Mass.) wants to increase the federal minimum hourly wage from $3.35, which was the rate set in 1981, to $4.55 by 1991.

Kennedy argues that basic social justice requires it. Inflation since 1981 has reduced the $3.35 to $2.50 in constant dollars. A full-time (52 40-hour weeks) minimum-wage worker grosses $6,968 a year, well below the poverty line for a family of two. Not many people are supporting families on that sort of money. According to Kennedy, 25% of the country's 4.7 million minimum-wage earners are teenagers working after school. Most others are supplementing family income.

At the core of the debate is the question of job loss. Clearly, it would erode employment opportunities for young people just starting out. A major concern is that a hike in the minimum wage would eliminate jobs for teenagers. Hardest hit would be low-skilled workers, such as inner-city black teenagers. Estimates of total job loss with an increased minimum wage range from 70,000 to 750,000.

If the intent is to help the working poor, an emerging alternative is an expansion of the Earned Income Tax Credit. The EITC is a refundable credit of 14% of the first $5,714 earned by an eligible person who maintains a home for one or more children.

Parental leave. As originally written, the parental-leave bill would have provided up to 18 weeks of unpaid parental leave and 26 weeks of unpaid medical leave, exempting businesses with 15 or fewer workers. During the leave, employers would continue all health-insurance coverage already being provided. A returning worker would have to be reinstated in the same job or a comparable position, with no loss in salary, benefits, or seniority.

Business opposition was so fierce that Senator Christopher Dodd (D-Conn.), the bill's sponsor, scaled it back to 10 weeks of unpaid parental leave and 10 weeks of unpaid medical leave, and exempted companies with fewer than 50 employees. That would ensure that only 5% of all businesses and only 39% of all workers would be covered. The General Accounting Office estimated the cost to employers at $147 million, mainly for medical premiums.

Dodd argues that companies with pa-

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rental leave save money on absenteeism and can plan for vacancies more accurately. Opponents say that parental leave would require more temporary workers and more overtime pay, while hampering productivity. But what they really resent is government acting as Big Brother.

"In contrast to most of my colleagues, I have great faith in the willingness of employers to meet the needs of their employees," states Senator Rudy Boschwitz (R-Minn.), ranking minority member of the Senate Small Business Committee and the founder of a chain of home-improvement stores in the Midwest. "I suppose some employers are hardheaded and uncooperative, but in today's business climate I can't see that they will last very long."

Boschwitz concedes that some form of parental leave—limited to *maternal* leave—is likely to pass. One alternative circulating in the Capitol Hill rumor mill would give employers unspecified tax credits for parental-leave programs.

Mandated health insurance. Senator Kennedy's bill was approved by the Labor and Human Resources Committee last winter but never made it to a full Senate vote. Kennedy will try again. The legislation would require all employers—regardless of company size—to provide employees who work at least 17.5 hours a week, and their dependents, with medical benefits that meet minimum government standards.

Twenty-three million of the 37 million uninsured Americans would be covered by this legislation. Less than half of companies with 10 or fewer employees currently provide coverage. "The prime reason small businesses do not offer insurance is a simple one: they cannot afford it," says T. Peter Ruane, who heads the Small Business Legislative Council's mandated-benefits task force. Critics say that the additional cost of providing insurance could lead to the loss of up to a million jobs.

Estimates of the cost range from $736 a year for a single worker and $1,868 for a family (Kennedy's figures) to opponents' estimates of around $2,900 for an employee with dependents. Kennedy says the plan would cost business about $27 billion a year, but other estimates go as high as $100 billion. On the other hand, proponents argue that companies that already offer health insurance pay higher rates to subsidize losses of hospitals that provide care to uninsured workers.

Self-employed individuals may get a break this year. Now, they can deduct only 25% of the health premiums they pay for themselves and their families. Consequently, many of them "go bare." There is growing support for legislation that would enable them to write off 100% of the cost.

Long-term health care. This proposal, which would pay for unlimited home health care, did not get very far last time. Its chances in the 101st Congress, however, are considered much better. Championed in the House by Claude Pepper, the 88-year-old Florida Democrat, it lost on parliamentary maneuver. "Today's action marks the beginning, not the end, of the debate over the best way to meet the need for long-term care," said Representative Dan Rostenkowski afterward. Rostenkowski chairs the powerful Ways and Means Committee. In the Senate, long-term health care is a pet program of George Mitchell of Maine, the new Senate Majority Leader.



FINEGAN'S HANDICAP

Higher minimum wage	1:2
Parental leave *(maternity only)*	2:3
Long-term health care	6:1
Health insurance	15:1

CYNTHIA DAVIS

A higher minimum wage and some form of maternity leave stand a better-than-even chance of passing in the 101st Congress.

Cost estimates for such care range from $22 billion to $63 billion. Medicare payroll taxes would cover it. Mitchell would remove the cap on annual income—in 1989, it is $46,500—subject to the 1.45% Medicare portion of payroll taxes. Employers would also kick in 1.45%.

Capitol Hill isn't the only battleground for the mandated-benefits controversy. In recent years, state legislators have passed numerous requirements for companies doing business in their states. In 1974, for instance, there were only 139 state laws requiring that corporate medical plans cover such things as acupuncture treatments and psychologists' fees; by 1986 the number was 645.

Similarly, numerous states have established their own minimum-wage rates and enacted their own parental- and pregnancy-leave requirements.

On both the local and national levels, these are issues that are sure to be debated through the 1990s. □

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LEVEL 1 - 4 OF 15 STORIES

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January 25, 1989, Wednesday, NASSAU AND SUFFOLK EDITION

SECTION: BUSINESS; Pg. 47
Other Edition: City Pg. 44

LENGTH: 550 words

HEADLINE: Owners: Tax Hurts Little Guy

BYLINE: From Staff and Wire Reports. Pamela Mendels contributed to this story

KEYWORD: TAX; REFORM; EMPLOYMENT; BENEFIT; REDUCTION; BUSINESS

BODY:

... office of Peat Marwick Main & Co., noted that 200 people have enrolled in that accounting firm's seminar this week on Section 89; normal enrollment for a tax seminar is about 60 to 75.

(c) 1989 Newsday, January 25, 1989

John S. Satagaj, president of the Small Business Legislative Council, told the congressional panel that Section 89's definition of employee will force cost-conscious small businesses to either eliminate part-time positions to avoid being labeled discriminatory or do away with employer-paid health benefits altogether.

Despite the ...

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LEVEL 1 - 8 OF 15 STORIES

Copyright (c) 1988 The Washington Post

July 26, 1988, Tuesday, Final Edition

SECTION: FIRST SECTION; PAGE A21; THE FEDERAL PAGE

LENGTH: 607 words

HEADLINE: Widening Gap Described In Health-Care Coverage;
37 Million Americans Uninsured, Panel Told

BYLINE: Spencer Rich, Washington Post Staff Writer

BODY:

... back on a national scale if elected president. A bill along these lines sponsored by Sen. Edward M. Kennedy (D-Mass.) has already been approved by the Senate Labor and Human Resources Committee.

However, T. Peter Ruane of the Small Business Legislative Council said mandating employer coverage "is not an acceptable solution" and "will place an overwhelming burden on small businesses," costing up to three times the amounts estimated by advocates and resulting in "layoffs and wage cuts."

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12TH STORY of Level 1 printed in FULL format.

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May 1, 1988, Sunday, Late City Final Edition

SECTION: Section 3; Page 13, Column 1; Financial Desk

LENGTH: 454 words

HEADLINE: WHAT'S NEW IN TRADE ASSOCIATIONS;
TOWARD GIVING UP EGO AND GETTING TOGETHER

BYLINE: By DIANE COLE; Diane Cole is a New York business writer.

BODY:

TRADE groups have always been concerned with lobbying. But today, ''the number of associations that don't have an active government relations program is so minuscule as to be almost uncountable,'' said Michael D. Lane, executive director of the Associations Council of the National Association of Manufacturers.

The emphasis on government relations is clear just from the backgrounds of many association executives. Richard S. Schweiker, former United States Senator and Secretary of Health and Human Services is president of the American Council of Life Insurance. John R. Block, President Reagan's former Secretary of Agriculture, is president of the National-American Wholesale Grocers Association. Ronald Ziegler, who was President Nixon's press secretary, is president of the National Association of Chain Drug Stores.

Association executives cite deregulation and the growth of government as two main reasons behind stepped-up government affairs programs. ''The small businesses don't have the resources to do it themselves'' and the larger ones are cutting back their budgets, Mr. Lane said.

Trade associations - which represent the consensus view of an entire industry - also have more credibility than individual companies that present their own views, association executives contend. ''It becomes self-serving when they go before a legislative body individually,'' as opposed to appearing as part of an industry group, said William F. Deal, executive vice president of the International Bottled Water Association.

Because there is strength in numbers, more coalitions are being formed among associations, many of which represent different industries or constituencies. The Small Business Legislative Council, for instance, is made up of 90 associations, including industries as diverse as building, trucking and floral delivery. ''There's a whole trend towards giving up a little bit of your ego and getting together,'' said Mr. Smith, the council's chairman. In his role as president of the United Bus Owners of America, Mr. Smith also fashioned a coalition with the American Automobile Association and the Council of State Legislatures that worked toward the repeal of the 55 miles per hour -speed limit.

Associations ''understand that coalitions are the way to get more attention,'' said Mr. Taylor of the American Society of Association Executives, whose listings of such coalitions have increased from 100 to several hundred

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in recent years. In fact, the so-called ''Association of Associations'' has gotten into the act itself. Its ''Associations Defense Day'' will bring about 600 association executives to Washington on May 18 to lobby Congress on behalf of - what else? - associations themselves.

GRAPHIC: Drawing

SUBJECT: UNITED STATES ECONOMY; LOBBYING AND LOBBYISTS; REGULATION AND DEREGULATION OF INDUSTRY; ORGANIZATIONS, SOCIETIES AND CLUBS

NAME: COLE, DIANE

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Small Business Legislative Council®

SBLC Journal

Volume 4, Number 11 December 1, 1988

TAXPAYER BILL OF RIGHTS -- A VICTORY

Occasionally, the "little guy" wins one. Small business forces, led by Sen. David Pryor, helped engineer a victory for taxpayers. Enacted into law as part of the technical corrections bill, the Taxpayer Bill of Rights offers the small business owner new rights throughout the tax process from the audit to collection. The fate of the legislation was in doubt, literally up to the last minute, as formidable opponents, led by the IRS, mounted a variety of obstacles to passage. The bill received a boost over the top when both presidential candidates offered endorsements for it during their second presidential debate. This article highlights some of the provisions of the law.

As a result of the new law, when the IRS contacts a taxpayer concerning the determination or collection of any tax, the IRS is required to provide a written statement of the rights of the taxpayer and the obligations of the IRS during the audit, appeals, refund, and collection processes. The IRS is required to publish regulations enumerating standards for determining whether the selection of a time and place for interviewing a taxpayer is reasonable. These regulations are to provide that it is generally not reasonable for the IRS to require a taxpayer to attend an examination at an IRS office within the assigned district other than the office located closest to the taxpayer's home. Similarly, it is generally not reasonable for the IRS to audit a taxpayer at his or her place of business if the business is so small that doing so essentially requires the taxpayer to close the business. This does not preclude the IRS from going to the taxpayer's place of business to establish facts that can only be established by a direct visit, such as inventory and asset verification. In determining the reasonableness of the time and place of an interview, the regulations are to take into account the possibility of physical danger to an IRS agent.

A taxpayer is permitted, upon advance notice to the IRS, to make an audio recording of an in-person interview at the taxpayer's own expense. IRS employees also are authorized to record taxpayer interviews, provided the taxpayer receives prior notice of such recording and is supplied a copy or a transcript of the recording upon request and payment of the costs of the copy or transcript.

Prior to initial in-person audit interviews, the IRS must explain to taxpayers the audit process and taxpayers' rights under that process. In addition, prior to initial in-person collection interviews, the IRS must explain the collection process and taxpayers' rights under that process. A written statement handed to the taxpayer at an audit or collection interview or within a short time before the interview is sufficient. The explanation (whether written or oral) must provide that the taxpayer has the right to suspend the interview to consult with a qualified representative. If the taxpayer's case has been referred to the IRS Criminal Investigation Division, the IRS must notify the taxpayer of such referral at the interview.

The law provides that a taxpayer may be represented during a taxpayer interview by any attorney, certified public accountant, enrolled agent, enrolled actuary, or any other person permitted to represent a taxpayer before the IRS, who is not disbarred or suspended from practice before the IRS and who has a properly executed power of attorney from the taxpayer.

If a taxpayer clearly states during an interview with the IRS (other than an interview pursuant to an administrative summons) that the taxpayer wishes to consult with that representative, the interview must be suspended to afford the taxpayer a reasonable opportunity to consult with the representative. Absent an administrative summons, a taxpayer cannot be required to accompany the representative to an interview. The IRS may continue to request that taxpayers voluntarily attend interviews. In

Continued on Page 2

instances of abuse of this process (such as repeated suspensions of interviews to contact different representatives), the IRS may issue an administrative summons. The IRS may directly notify a taxpayer that the taxpayer's representative is responsible for unreasonable delay or hindrance, request that the taxpayer appear for an interview, and inform the taxpayer that an administrative summons requiring the taxpayer's attendance at an interview may be issued.

The IRS is required to abate any portion of any penalty or addition to tax that is attributable to erroneous written advice furnished by the IRS to a taxpayer, where such advice was specifically requested in writing by the taxpayer and reasonably relied upon, unless the taxpayer failed to provide adequate or accurate information when requesting the advice.

The IRS is prohibited from using records of tax enforcement results to evaluate enforcement officers, appeals officers, and reviewers or to impose or suggest production quotas or goals.

The IRS is required to solicit comments from the Small Business Administration (SBA) after the publication of proposed regulations or before the promulgation of final regulations. The SBA is allowed four weeks after the receipt of the regulations to provide its comments on the impact of the regulations on small businesses.

All tax due notices or deficiency notices must contain both a description of the basis for, and an identification of, the amounts (if any) of tax due, interest, additions to tax, and penalties. In addition, in case of interest accruing with respect to amounts described in a notice of deficiency, it is sufficient if the notice states that interest at the legal rate is owing on the amount due.

The IRS is granted statutory authority to enter into a written installment payment agreement if the IRS determines that an agreement will facilitate collection of the tax owed. The agreement is to remain in effect for the term of the agreement unless (1) the taxpayer provided inaccurate or incomplete information, (2) the taxpayer fails to pay an installment when due, (3) the taxpayer fails to pay any tax liability when due, (4) the taxpayer fails to respond to any reasonable request by the IRS to supply updated financial information, or (5) the IRS determines that the collection of any tax to which an agreement relates is in jeopardy.

Under prior law, at least 10 days before collecting a tax by levy (i.e., seizure of the taxpayer's property) the IRS was required to provide the taxpayer written notice of its intent to levy. If the IRS found that collection of tax was in jeopardy, it could have collected the tax by levy without providing this notice or waiting 10 days. Under the new law, the period from the date the IRS provides written notice to a taxpayer to the first permissible date of the collection of tax by levy is extended to 30 days. As under prior law, the notice and waiting period requirements do not apply if the IRS finds that collection of the tax is in jeopardy.

The $1,500 exemption from levy for fuel, provisions, furniture, and personal household effects is increased to $1,550 for 1989 and to $1,650 for 1990 and years thereafter. Second, the $1,000 exemption from levy for books, tools, machinery, or equipment that are necessary for the trade, business, or profession of the taxpayer is increased to $1,050 for 1989 and to $1,100 for 1990 and years thereafter. In cases where tangible personal property essential to a taxpayer's trade or business is levied upon by the IRS, an accelerated appeals process must be provided by the IRS in order to determine whether the levy should be released due to any of the statutory grounds that govern release of levy (e.g., the IRS determines that release of such levy will facilitate the collection of tax, the IRS determines that such levy is creating an economic hardship due to the financial condition of the taxpayer, or the fair market value of the property exceeds such liability and release of the levy on a part of such property could be made without hindering the collection of such liability). The amount of wages exempt from levy for each week is increased to an amount equal to the taxpayer's standard deduction and personal exemptions allowable for the taxable year in which the levy occurs, divided by 52.

The IRS must release a levy on property if (1) the liability for which the levy was made is satisfied, (2) the IRS determines that release will facilitate the collection of the liability, (3) an installment payment agreement has been executed with respect to such liability, (4) the IRS has determined that the levy is creating an economic hardship due to the taxpayer's financial condition, or (5) the fair market value of the property exceeds the liability and partial release would not hinder collection of the tax and related costs owed to the IRS. The release of a levy under this provision is not to prevent a subsequent levy on the same property.

A taxpayer can obtain a review, within the IRS, of an initial determination of tax deficiency before the matter proceeds to collection. The IRS must create an administrative procedure to obtain review of the filing of a notice of lien in the public record and an opportunity to petition for the release of such lien.

Continued on Page 3

If the IRS determines that filing of a notice of lien was erroneous (i.e., the tax liability that gave rise to the lien had been satisfied or the liability had been assessed in violation of the restrictions on assessment), the IRS is required to issue expeditiously a certificate of release of the lien and include in the certificate a statement that the filing of the lien was erroneous. This ensures that the public record contains a statement that the filing of the notice of the lien was not attributable to the taxpayer's fault, which will facilitate repair of the taxpayer's credit and other financial records.

Under old law, a taxpayer who was a "prevailing party" in a tax case in any federal court could have been awarded reasonable litigation costs if the position of the United States was not substantially justified. Reasonable litigation costs include attorneys' fees (generally limited to $75 per hour), expenses of expert witnesses, and court costs. Costs incurred during the IRS administrative process generally were not recoverable. To be awarded reasonable litigation costs, the taxpayer was required to establish that the position of the United States in the case was not substantially justified. In addition, the person was required to substantially prevail with respect to the amount in controversy or the most significant issue(s) in the case. In determining whether the position of the United States was substantially justified, the position of the United States was determined beginning with the position in the civil proceeding or, if applicable, the position taken by the IRS district counsel administrative. This generally did not include positions taken in the audit appeals processes.

Under the Taxpayer Bill of Rights, any person who substantially prevails in any action brought by or against the United States in connection with the determination, collection, or refund of any tax, interest, or penalty may be awarded reasonable administrative costs incurred before the IRS and reasonable litigation costs incurred in connection with any court proceeding. For this purpose, reasonable litigation costs are defined as under prior law, while reasonable administrative costs include (1) any administrative fees or similar charges imposed by the IRS, (2) reasonable expenses of expert witnesses, (3) the reasonable cost of any study, analysis, engineering report, test or project that is necessary for the preparation of the person's case, and (4) reasonable fees (generally not to exceed $75 per hour) paid or incurred for the services of a qualified representative of the taxpayer in connection with the administrative action, but only if such administrative costs are incurred after the earlier of the date of the receipt by the taxpayer of the notice of the decision of the IRS Office of Appeals, or (5) the date of the notice of deficiency. As under prior law, a judgement for reasonable litigation costs shall not be awarded by a court unless the taxpayer has exhausted administrative remedies.

In determining whether the position of the United States was substantially justified, the position of the United States is determined as of the earlier of (1) the date of the receipt by the taxpayer of the notice of the decision of the IRS Office of Appeals, or (2) the date of the notice of deficiency. If neither is applicable, the position of the United States is that taken in the litigation. Thus, in the case of a computer-generated underreporter notice, the position of the United States generally is determined only after the taxpayer has provided the IRS with sufficient information to enable a reasonable person to determine whether the notice should have been issued. For example, if the computer-generated notice proposes a deficiency due to the failure to report interest income shown on a Form 1099-INT filed by a third party, the position of the United States is not to be determined until after the taxpayer provides sufficient information to establish whether the interest should have been reported on the tax return of the taxpayer who received the deficiency notice. The IRS is provided with the authority to settle claims for administrative costs and litigation costs. A decision by the IRS granting or denying an award of costs is appealable to the Tax Court under the small case procedures.

The law did not grant taxpayers a right to bring an action for damages resulting from the wrongful failure to remove a lien on a taxpayer's property. Taxpayers are now provided with the right to sue the federal government in federal district court if any IRS employee knowingly or negligently fails to release a lien on the taxpayer's property as required under the Code. Taxpayers may recover the costs of the action and the actual direct economic damages sustained by the taxpayer which, but for the actions of the IRS, would not have been sustained. This written notice must be provided by the taxpayer after the conclusion of the 30-day period during which the IRS is required to release the lien. A taxpayer's claim under this provision is barred unless the action is commenced within two years after the date the right of action accrues.

Under prior law, taxpayers did not have a specific right to bring an action against the government for damages sustained due to unreasonable actions taken by an IRS employee. Taxpayers are now granted the right to sue the federal government in federal district court for damages if, in connection with the determination or collection of any federal tax, an IRS employee recklessly or intentionally disregards the Internal Revenue Code or IRS regulations, in the collection of taxes. The taxpayer may recover the costs of the action plus actual direct economic damages sustained by the taxpayer up to $100,000.

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Employment Law Seminar

"Everything You Did Not Want To Know About Employment Law, But Know You Must Ask" is the latest seminar to be sponsored by the Small Business Legislative Council. The seminar is for **small business owners** and **trade association executives** and will be held on Friday, January 6, 1989 in Washington, D.C. at the Vista International Hotel from 8:00 a.m. to 5:00 p.m.

The seminar will feature an intensive review of *seven* hot topics: Section 89, plant closings, hazardous communication standard, wrongful discharge, polygraph use, drug testing, and independent contractors. The faculty for this program are the experts of the SBLC: lawyers, accountants, and association executives. Materials will be provided. The registration fee is $225 for SBLC members and their business owner members and $250.00 for non-SBLC members.

Agenda

8:00 a.m.	Registration/Welcome
9:00 a.m.	The Employment Relationship from A to Z
10:00 a.m.	Plant Closing Notification
11:00 a.m.	Who's Telling the Truth?
11:30 a.m.	Independent Contractors vs. Employees
Noon	*Lunch*
1:30 p.m.	Section 89 and Employee Benefits
2:30 p.m.	Drug Policy in the Workplace
3:30 p.m.	Hazardous Communication Standard

EMPLOYMENT LAW SEMINAR

REGISTRATION FORM

Name _____ Company _____

Address _____

City, State, Zip _____

Telephone _____ Type of Business _____

Do you have a specific question or issue which you wish to have addressed at this seminar?

_____

_____

For more information please call (202) 639-8500

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FEES:

SBLC Members:*	$225.00
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*SBLC member rate is available to any individual that belongs to an SBLC member association.

Small Business Legislative Council®

SBLC Journal

Volume 5, Number 01 January 1, 1989

SBLC: A UNIFIED FORCE FOR SMALL BUSINESS

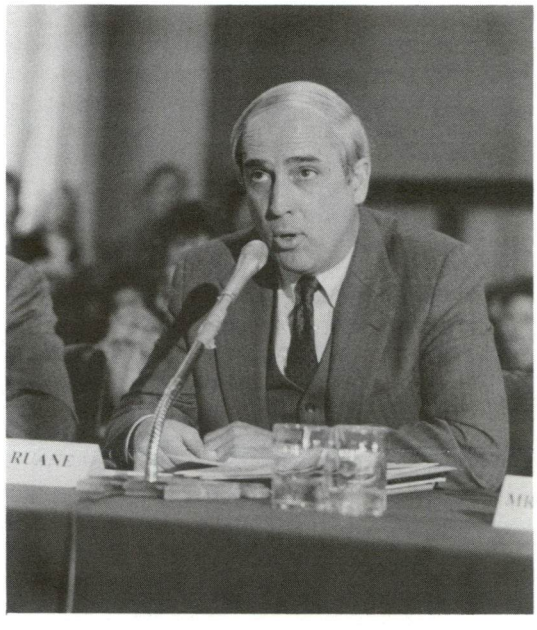
The Small Business Legislative Council (SBLC) is an independent, permanent coalition of trade and professional associations that share a common concern for the future of small business. The purpose of SBLC is twofold: to consolidate the strength and maximize the influence of small business on legislative and federal policy issues of importance to the entire small business community; and secondly, to disseminate information on the impact of public policy on small business.

Since its creation 1976, SBLC has grown dramatically to represent nearly every sector of our economy including manufacturing, retailing, transportation, distribution, professional and technical services, agriculture, and construction. The SBLC now has over 90 member associations. SBLC has become a unified force that is respected throughout the government. The Council's views are sought and its opinions are valued by those in government who must decide how the laws of this nation are enacted and enforced.

Because SBLC is concerned with the small business community as a whole, the issues on which the Council acts are those which affect all small business. These matters include taxes, liability insurance, budget, antitrust enforcement, employment issues, government procurement, environment, establishment of a small business voice in Washington, venture capital and other small business financing mechanisms...

The list is potentially endless, and it is being expanded constantly as SBLC members discover that many of the problems of their members are shared in common by smaller businesses in other industries. Any issue which is important to small business in general is important to SBLC.

In the 100th Congress, SBLC testified frequently before Congress on a myriad of subjects. SBLC was particularly concerned over efforts to impose new responsibilities on employers. Among the issues of high visibility: mandated health insurance, mandated leave, minimum wage and occupational disease risk notification legislation. At the same time, SBLC pushed for positive initiatives such as product liability reform and prohibitions on unfair competition.



SBLC volunteers testify on behalf of the organization at congressional hearings. Here SBLC Chairman-elect T. Peter Ruane (President of the American Road and Transportation Builders Association) testified in the 100th Congress on the subject of mandated health insurance.

With a diverse association constituency, SBLC is unique. We bring to the table consensus opinions and information that reflect both the diversity of our membership and the commonality of the small business perspective.

INDEPENDENT CONTRACTORS AND SMALL BUSINESS

In recent months, small business owners have reported an increase in the number of audits by the IRS to reclassify independent contractors as employees. The issue has short and long-term ramifications for small business. Independent contractors have been used in a variety of industries for many years. While real estate agents and direct sellers are commonly thought of as independent contractors, the fact is that there may be as many as four hundred economic activities undertaken by independent contractors from truck drivers to construction installers.

It has been reported that the Service has increased its scrutiny because of the continuing problem of tracing the income of independent contractors. Small business owners who use independent contractors must issue a Form 1099 to report the payment for services. The Service has not, however, been successful in closing the loop to match the 1099's with the income reported by the independent contractors. There are a host of other reasons for the government's interest, the most common one is the withholding of FICA taxes.

For the small business owner, reclassification of an independent contractor would have direct ramifications not only for the collection of taxes, but also would spill over into workers' compensation and unemployment insurance issues, and down the road might lead to changes in classification for labor law purposes. In the context of the current debate over whether the federal government should mandate employers to provide certain benefits such as health insurance to employees, it is clear the implications go far beyond the withholding of FICA.



SBLC works with executive branch policy makers as well. Here 1988 Chairman Wayne J. Smith (Executive Director of the United Bus Owners of America), center, discussing small business policy with Frank Swain, SBA's Chief Counsel for Advocacy, right, and former Congressman Jim Santini, Washington Counsel for the National Tour Association.

With the exception of real estate agents and direct sellers, the IRS first uses a common law test to determine whether an individual is an employee or an independent contractor. Under the common law test, an individual generally is an employee if the person for whom the individual performs services has the right to control and direct that individual, both as to the result to be accomplished by the work and to the details and means by which that result is accomplished. Thus, the most important factor under the common law test is the degree of control, or rights of control, which the employer has over the manner in which the work is to be performed.

In determining whether the necessary degree of control exists in order to find that an individual has common law employee status, the courts and the Internal Revenue Service ordinarily consider all of the facts of a particular situation, which are evaluated and weighed in light of the presence or absence of the various pertinent characteristics. The decision as to the weight to be accorded to any single factor necessarily depends upon both the activity under consideration and the purpose underlying the use of the factor as an element of the classification decision. Because of the particular attributes of a specific occupation, any single factor may be inapplicable.

The 20 common law factors generally considered by the Internal Revenue Service in determining whether an employer-employee relationship exists are:

1. *Is the individual providing service required to comply with instructions concerning when, where, and how the work is to be done?*
2. *Is the individual provided with training to enable him or her to perform a job in a particular manner?*
3. *Are the services performed by the individual integrated into the business' operations?*
4. *Must the services be rendered personally?*
5. *Does the business hire, supervise, or pay assistants to help the individual performing the services under contract?*
6. *Is the relationship between the individual and the person for whom he or she performs services a continuing relationship?*
7. *Who sets the hours of work?*
8. *Is the individual required to devote full-time to the person for whom he or she performs services?*
9. *Does the individual perform work on another's business premises?*
10. *Who directs the order or sequence in which the work must be done?*
11. *Are regular oral or written reports required?*

Continued on Page 3

12. *What is the method of payment - hourly, weekly, commission, or by the job?*
13. *Are business or traveling expenses reimbursed?*
14. *Who furnishes tools and materials necessary for the provision of services?*
15. *Does the individual performing services have a significant investment in facilities used to perform services?*
16. *Can the individual providing services realize a profit or loss?*
17. *Can the individual providing services work for a number of firms at the same time?*
18. *Does the individual make his or her services available to the general public?*
19. *Is the individual providing services subject to dismissal for reasons other than nonperformance of contract specifications?*
20. *Can the individual providing services terminate his or her relationship at any time without incurring a liability for failure to complete a job?*

Section 530 of the Revenue Act of 1978 was enacted in response to complaints by a number of industries regarding increased enforcement and allegedly aggressive application of the employment tax laws by the IRS. Section 530 was intended as a temporary relief measure to foreclose the IRS's actions, while Congress studied the problem and developed a legislative solution. In 1982 the relief provisions of Section 530 were extended indefinitely. They are still in effect today. The basic approach of Section 530 is to grandfather those workers who have been treated as independent contractors for employment tax purposes on the basis of industry practice, legal authority, prior audits or rulings by the IRS, or any other reasonable grounds. If a worker qualifies under Section 530, the taxpayer, or person for whom he provides services, will be entitled to treat him as an independent contractor for purposes of income tax withholding as well as FICA and FUTA taxes - regardless of the worker's status under the common law control test. If a taxpayer fails to satisfy the requirements of Section 530, he may still be entitled to treat the individuals in question as independent contractors under the common law control test.

Under Section 530, a taxpayer is entitled to treat an individual as an independent contractor for employment tax purposes if the following conditions are satisfied: (1) there is a reasonable basis for not treating the individual as an employee; (2) the taxpayer has not treated the individual or others performing substantially similar work as employees during any period after December 31, 1977; (3) the taxpayer has reported amounts paid to the individual on an appropriate and timely filed Form 1099.

Section 530 provides three alternative standards which constitute "safe havens" in determining whether a taxpayer has a reasonable basis for not treating an individual as an employee. As explained in IRS official publications, reasonable reliance on any one of the following is sufficient:

a. Legal authority - This includes judicial precedent or published rulings, whether or not relating to the particular industry or business in which the taxpayer is engaged. It also includes technical advice, a letter ruling, or a determination letter issued by the IRS National Office to the particular taxpayer.

b. Prior IRS audit - This standard is satisfied if there was a prior examination of the taxpayer by the Internal Revenue Service which was concluded without any assessment attributable to the taxpayer's treatment concerning employment tax purposes, of individuals holding positions substantially similar to the position held by the individual whose status is in question. A taxpayer may rely on their audit history even if the previous audit or audits did not involve an examination of the taxpayer's employment tax returns.

c. Industry practice - A taxpayer is entitled to rely on the long-standing recognized practice of a significant segment of their industry. The practice need not be uniform throughout the entire industry. Thus, if a significant portion of the companies in the industry have historically treated the individuals in question as independent contractors, the taxpayer is entitled to rely on this practice, even though other members of the industry have historically treated the same class of individuals as employees.

A taxpayer who fails to meet any of these tests may still be entitled to relief if he can demonstrate, in some other manner, a reasonable basis for not treating the individual in question as an employee. In this connection, the legislative history makes it clear that the "reasonable basis" requirement should be construed liberally in favor of the taxpayer.

The IRS and the General Accounting Office are performing a joint study to determine whether 1099's may be a good source of leads for employment tax examinations where an employee is misidentified by an employer as an independent contractor. The results will be presented to Congress in early 1989. It is clear this issue will be a hot topic this year.

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SMALL BUSINESS
LEGISLATIVE
COUNCIL

SBLC: A UNIFIED FORCE FOR SMALL BUSINESS

The Small Business Legislative Council (SBLC) is an independent, permanent coalition of trade and professional associations that share a common concern for the future of small business. The purpose of SBLC is twofold: to consolidate the strength and maximize the influence of small business on legislative and federal policy issues of importance to the entire small business community; and secondly, to disseminate information on the impact of public policy on small business.

Since its creation 1976, SBLC has grown dramatically to represent nearly every sector of our economy including manufacturing, retailing, transportation, distribution, professional and technical services, agriculture, and construction. The SBLC now has over 90 member associations. SBLC has become a unified force that is respected throughout the government. The Council's views are sought and its opinions are valued by those in government who must decide how the laws of this nation are enacted and enforced.

Because SBLC is concerned with the small business community as a whole, the issues on which the Council acts are those which affect all small business. These matters include taxes, liability insurance, budget, antitrust enforcement, employment issues, government procurement, environment, establishment of a small business voice in Washington, venture capital and other small business financing mechanisms... The list is potentially endless, and it is being expanded constantly as SBLC members discover that many of the problems of their members are shared in common by smaller businesses in other industries. Any issue which is important to small business in general is important to SBLC.

In the 100th Congress, SBLC testified frequently before Congress on a myriad of subjects. SBLC was particularly concerned over efforts to impose new responsibilities on employers. Among the issues of high visibility: mandated health insurance, mandated leave, minimum wage and occupational disease risk notification legislation. At the same time, SBLC pushed for positive initiatives such as product liability reform and prohibitions on unfair competition.

With a diverse association constituency, SBLC is unique. We bring to the table consensus opinions and information that reflect both the diversity of our membership and the commonality of the small business perspective.

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Small Business Legislative Council®

SBLC Journal

Volume 5, Number 02 February 1, 1989

Section 89 - SBLC's Views

As reported in previous SBLC Journals, Internal Revenue Code Section 89 took effect on January 1, 1989. The new law, enacted as part of the 1986 Tax Reform Act, is intended to ensure that employer-sponsored benefit plans do not favor top-level employees. It, therefore, requires all business owners to conduct a series of complicated tests to determine if their health and life insurance plans are distributed fairly among their higher-paid employees and the rank-and-file.

There is now an effort to repeal the law, and legislation for that purpose has been introduced in both the Senate and House. SBLC supports these efforts. Rep. John LaFalce, chairman of the House Committee on Small Business, made these observations about Section 89 in a letter to his colleagues:

> "In theory, Section 89 was apparently intended that it would encourage employers to provide health insurance coverage to their part-time employees and other uninsured workers. In fact, the new law will have the opposite effect. Those firms that do not now offer health benefits will be further discouraged from doing so, and those that do provide health plans will be included to reduce the benefits (eliminate dependent coverage, for example) or terminate their plans altogether.
>
> "The Section 89 benefit plan tests are exceedingly complex and impose an onerous administrative burden on employers. They will face costly data-gathering requirements and complicated valuation rules to test the eligibility and benefit provisions of each plan.
>
> "If a benefit plan fails the tests required by Section 89, highly-paid employees would be taxed on the value of the excess benefit. And if a business fails to report to IRS the amount of excess benefits provided to employees, the employer will also face tax penalties.
>
> "We believe Section 89 should be repealed to allow a complete review of the potential impact on employers and to examine reasonable alternatives to achieve the policy goal of reducing the ranks of the uninsured."

SBLC shares this view of Section 89. Section 89 is the child of the Tax Reform Act of 1986 (TRA), a law which we viewed with considerable doubt at the time of passage. The emergence of Section 89 as a problem for small business only serves to reinforce our belief that, lower rates notwithstanding, TRA was, and is, the source of substantial heartburn for most small business owners.

The first, and most logical, question to ask is why are we here today if Section 89 was enacted over two years ago? The answer is that the debate over tax reform was an important one for small business, and quite frankly most of us in the small business community devoted what resources we had to other issues related to tax reform. Second, in our many years of work for, and with, small businesses, we have come to learn that you deal with those things today which affect the bottom line today. Fighting tomorrow's battles frequently take a back seat. While this is not an excuse, it is a reality within which we must work.

Third, and most importantly, from what we observed during the debate on tax reform, we are not convinced that more than a handful of individuals on Capitol Hill and at Treasury had any idea what Section 89 was all about at the

Continued on Page 2

time of passage. It appears to us that the Section 89 controversy has all of the same elements of the auto-log fiasco of just a few short years ago. The concept sounds good, but no one had the time to consider fully the complexities of implementation or the ramifications of compliance and enforcement. The effective date has rolled around, and we are forced to address the problem head on.

One thing is certain, Section 89 is, and will be, a problem. We find it ironic that the IRS, with a two year lead time, failed to issue comprehensive guidance before the effective date even after Congress prodded it to action by imposing a specific date, November 15, 1988, for issuance of the regulations. Yet still small businesses are expected to comply.

We believe our problems with Section 89 can be divided into three categories -- our disagreements with certain fundamental statutory assumptions of the section, questions of interpretation, and matters that could easily be resolved by better planning and communication by the government.

It has been our philosophy, in recent years, to make every effort to disseminate information to small business on new regulatory programs as quickly as we can. We do this through compliance guides and seminars. The Immigration and Naturalization Service's (INS) I-9 program and OSHA's Hazardous Communication (HCS) program are two examples of programs for which SBLC undertook major education initiatives. We believe it is our responsibility to accept the mantle of leadership and promote cooperation between the government and small business. On occasion, our efforts to educate reveal the flaws in these regulatory schemes. Today, we offer our comments on Section 89 with the voice of experience.

We have prepared a compliance guide to Section 89 and have already held one seminar on the subject. It is our understanding that the forthcoming regulations may not be the comprehensive guidance small businesses need to comply with Section 89. The results of our seminar, our work on the guide, and the thousands of calls received by our 93 member associations from their small business members lead us to the following observations.

In the category of disagreements with the statutory concepts behind Section 89, putting aside the question of whether the government should regulate benefits, the most dramatic and unprecedented change brought about by Section 89 is the premise that individuals working 17 and one-half hours or more a week are to be considered employees for the purpose of benefits. This is a startling expansion of the concept of employment, with ramifications for not only this program, but for other potential government-imposed responsibilities. The 1988 Technical Corrections Act included a special two-year transition rule on this point, but it does nothing to lessen the impact of this unprecedented expansion. We fear it may lead to the elimination of part-time jobs, essential points of access into the work force for many individuals.

Second, we believe any regulatory scheme should allow small business owners an opportunity to bring their programs into compliance. Whether it is the OSHA HCS program or Section 89, the penalties should be prospective, contingent upon failure to comply within a certain time frame once an agency has served warning upon the individual company.

With regard to questions of interpretation, the laundry list of our concerns is long. We offer the following examples to illustrate the breadth and depth of interpretative problems. What is meant by the term "plan?" In 1986, Congress said, "Each different option generally is a separate plan for testing purposes. This means, for example, that if two types of insurance coverage vary in any way (including the amount of required employee contributions), they are considered separate plans." In 1988, Congress amended Section 89 in the Technical Corrections Act, and said, "Each different option is valued separately, but is not considered a separate plan. A plan is a group of options with comparable values (under otherwise applicable comparability rules). With respect to the non-discrimination rules, the effect of these changes is only one of terminology rather than of substance." SBLC is not convinced that a small business owner will be able to make the distinctions necessary for compliance.

A second example of interpretative challenges confronting small business is the so-called 80-percent alternative test, which in theory is a safe harbor. We have found it exceedingly difficult to simplify the explanation of this safe harbor.

Family coverage and coverage-elsewhere rules also raise several questions of interpretation. One is, what benefits are to be considered "core" benefits used to determine whether there is sufficient coverage elsewhere? So far, as we know, the term "core benefits" has not been defined. The only clue to date are legislative history references to items that are *not* benefits, such as: dental, vision, psychological, orthodontia and elective cosmetic surgery. We are reminded of the comment of one Supreme Court Justice defining pornography as "I'll know it when I see it."

We have heard it said that, as the result of changes in the 1988 Technical Corrections Act, employees who do not have dependents are not counted in applying the

Continued on Page 3

discrimination test to family coverage. What we find in the legislative history is something slightly different. According to the record, an individual is counted *as having received the coverage* with some caveats. Thus, for example, if coverage of an employee's spouse and dependent(s) is non-contributory and the employee does not reject the coverage, such employee is considered to receive coverage of his or her spouse and dependent(s) without regard to whether he or she has a spouse or dependent(s). If coverage of an employee's spouse and dependent(s) is contributory and the employee makes the required contribution, such employee is considered to receive coverage for his or her spouse and dependent(s) without regard to whether he or she has a spouse or dependent(s). Of course, in such case, if the employee does not make the required contribution, the employee is not considered to receive coverage for his or her spouse and dependent(s), if any.

Under the qualification rules of Section 89, whenever an employer provides a benefit under:

a) a statutory employee benefit program;

b) a qualified tuition reduction program;

c) a cafeteria plan;

d) a fringe benefit program such as those providing no additional cost services, qualified employee discounts, or employer-operated eating facilities; or

e) a voluntary employee benefit association (VEBA)

Then the employer must ensure that:

a) the plan is in writing;

b) the employee's rights under such plan are legally enforceable;

c) the employees are provided reasonable notification of benefits available in the plan;

d) such plan is maintained for the exclusive benefit of employees; and,

e) such plan was established with the intention of being maintained for an indefinite period of time.

Our questions regarding the interpretation of these qualification rules include what constitutes a written plan. From the legislative history, we have been able to ascertain that a written plan does not require a single document, and should include a description of each benefit available; the names of the trustees or other fiduciaries of the plan; the class of employees eligible to participate; and, a statement that the plan is for the exclusive benefit of the covered employees.

How does a business owner determine what constitutes an indefinite time? We have been able to determine that while plans are to be established for an indefinite period, plans may be terminated for business necessity reasons such as insolvency, bankruptcy, sale of the business, and proven financial inability to continue the plan. What constitutes an indefinite period needs further clarification.

One final example of the interpretative questions posed by Section 89 involves the process of determining the discriminatory excess. In the event a plan is found to be discriminatory, calculation of the amount considered to be discriminatory is the ultimate challenge.

The final problem we have with the Section 89 is the lack of effective communication by the government. Congress and the IRS must ensure that small business owners understand their responsibilities *before* the effective date and this communication must consist of more than notice of the effective date. While not perfect, the INS' I-9 program is a good model of how to communicate. The INS did undertake a major effort to inform the business public of the requirements through the dissemination of written and video material. In fact, if I recall correctly, the INS used the IRS list of business establishments for distribution of this information.

In the case of Section 89, there are some ways to reduce the likelihood of mass hysteria. For example, most small business owners automatically assume Section 89 applies to all benefits. They assume it applies to automobiles, vacations, tickets to events or memberships in clubs. Clear, simple information in advance, could eliminate some major headaches. Unfortunately, small businesses are still working to comply with the relatively recent changes in fringe benefit rules, and in many instances do not fully understand which benefits are includible or excludible from the employee's income. This confusion includes the proper application of definitions of working condition fringes and de minimis fringes. For this reason, we found it necessary to describe the fringe benefit rules in our guide. We believe early dissemination of this type of information is essential.

Realistically, no amount of change will make Section 89 an easy test with which to comply. It seems to us that Congress rarely says, "Thou shall not do the following..." Instead, it appears drafters attempt to anticipate every

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possible way to circumvent the law, plausible or implausible, and include language to prevent such activity. The results are laws too complicated that penalize owners, who in good conscience, wish to comply. A recent law suffering from the same phobia, that comes to mind is the plant closing notification act. The irony is that complicated regulatory requirements create an underground community of owners who say, "This is just too difficult, I'll take my chances and wait to see if they catch me." We do not want that to happen and we believe most small business owners do not want it. We know some owners will eliminate jobs in reaction to Section 89. Others will simply eliminate every employee's benefits. The way to ensure compliance is to be realistic and flexible in the development of laws and regulations. We believe it is time Congress applied the Regulatory Flexibility Act to itself. Specifically, we believe it is time for Congress to require standing committees to undertake a careful look at the economic impact of proposed legislation upon small business before the committee votes on legislation. In the last Congress, such a proposition gained some attention in the midst of the debate over various labor bills. We submit that if Congress undertook the economic analysis of the type required by the Regulatory Flexibility Act, there would be no section 89's.

We find a new undercurrent within the small business community. Under the patina of optimism, lies a layer of frustration. For the first time in a decade, we have heard small business owners suggest the price of doing business is just too high, and the price of doing business is paperwork and regulation. In this nation, we believe entrepreneurship has perfect elasticity; that is, no matter what the cost of entry, more Americans will want to own the American dream. It may not be so. A few examples of the relatively new regulatory schemes with which small business must comply include the I-9 program imposed by the Immigration Reform and Control Act, the Hazardous Communication Standard program, the underground storage tank program, the hazardous waste program created by the RCRA, several other tax compliance items, such as the passive/active rules, new transportation licensing requirements, plant closing notification rules, polygraph-use restrictions and notice, and new credit card disclosures. State and local governments have also initiated unprecedented oversight of business.

The level of regulation and the business reaction has forced us to launch a new effort within our organization. We have started a new task force on regulation and paperwork to identify and address these problems.

We do not want to be whiners. Small business has always taken the attitude, "We'll survive it." The question to ask is -- if small business is so important to our economy, why do we always force the question? Let's let them go about the business of doing business, not government homework.

THE WHITE HOUSE

WASHINGTON

2/27/89

MEMORANDUM to Chriss Winston

FROM: Jim Pinkerton

RE: Comments on SBLC Speech

My comments include input from Andy Card, who called me after he failed to reach Mark Lange.

First, in general, we are concerned that the speech covers too much ground. We suggest a tighter focus on the "lessons from Asia" theme, especially the need for a capital gains tax rate reduction to encourage entrepreneurship and strengthen American competitiveness.

Here are some specific thoughts:

Page 2, paragraph 1: I think you will lose the audience once you say "civil servants." I'd start instead with "They are experienced men and women who know how to work with the private sector ..."

Page 2, paragraph 2, line 3: I'd delete "in subtle ways."

Page 2, paragraphs 3 and 4: I understand that John Gardner has already recommended that you delete the whole "level playing field" argument. I agree with John in view of the fact that the President has also made the argument for "a level playing field." Also, I agree with John about the need to delete the "rising sun" reference.

Page 4, paragraph 4: I think this is a fuzzy graf that does not really advance the President's argument. I'd either clarify or delete.

Page 5, last paragraph: As it reads, it tends to put the blame solely on business. I'd add something like this at the tail end: "Government, too, must plan for the long term. We need to set policies that will promote business confidence: holding the line on tax increases, reducing the deficit down to zero, and stopping high inflation and interest rates."

Page 6, paragraph 2: As Andy said, we should beef up our capital gains message, I'd add this at the end of the graf: "For a long time now I have been saying that we must have a competitive capital gains tax rate. If we are to retain the American Edge, we must give entrepreneurs and small businesspeople the incentive to keep dreaming and risking and thus keeping the Great American Job Machine running."

Page 6, paragraph 3: West Germany is not "the most dynamic" country in Europe. But you could say it has "the strongest economy."

Page 7, paragraph 3: This graf seems to be hinting at government investment in the economy. I'd rewrite as follows: "I am committed to government policies that will allow business to invest with an eye toward the long term to assume our competitive future."

Page 8, paragraph 2: I think this denunciation of "current services budgeting" is good, but too cursory -- and it doesn't even mention the phrase itself!* I'd insert a sentence like "In addition, we have proposed a major budget reform to put our fiscal policy on a sound footing once and for all. We need to do away with the wonderland concept of 'current services budgeting.' Federal policy should not start out with the presumption that government spending should go up and up."

Page 10-11: I think the close is excellent.

* why? . . .

(Lange)
February 23, 1989
4:30 p.m.

PRESIDENTIAL REMARKS: SMALL BUSINESS LEGISLATIVE COUNCIL
WASHINGTON, D.C.
~~WEDNESDAY, MARCH 1, 1989~~

Thank you, Bob. It is good to be with you this afternoon. As you may have heard, I just finished a tour through several countries in the Pacific Rim.

They say that travel teaches tolerance. And it is true -- my hosts abroad were certainly tolerant of my experiments with their language.

I think one of my toasts might as well have been translated by the interpreter as: "Laugh politely at the peculiar American humor."

Maybe I should have asked **them** to read my lips.

I'm glad you had a chance to hear
~~This afternoon you've heard~~ from Gregg Petersmeyer, Richard Breeden, and [Elizabeth Dole / Robert Mosbacher] -- three key members of the team here in Washington.

~~And~~ Now that you have a feeling for their ideas and priorities, let me encourage you to work with them. Tell them

what you're thinking. They are civil servants in the truest sense -- and they are looking for ways to make this a responsive government, a government by the people.

While I was in Asia, I had a chance to think seriously about what sets our trading partners apart from us. I realized that, in subtle ways, we may have erected a barrier to our own success -- and deprived ourselves of vital long-term investment that our competitors have always enjoyed.

In a few minutes, I'm going to have a suggestion for those who say that we have to "level the playing field."

You know, there are some who say that the sun is rising in the Far East. Some even suggest that it's setting here at home. Well, for them, I have news. The 21st century can be the next American century -- if we understand the challenges before us, and move to meet them together.

More than ever, the world is interconnected; interdependent; and changing rapidly. More than at any point in human history, our societies and economies rely one upon the other.

So competitiveness -- which ~~seems to be~~ on everybody's mind these days -- takes on a challenging new angle. It means more than just market share and earned income. And it's more than

a zero-sum, winner-take-all game.

Since 1980, world trade volume has nearly doubled. Almost a fifth of our industrial production is now in exports. Goods and services circle the globe overnight. Capital changes hands in seconds.

In a world like that, all nations stand to benefit from the growth of their trading partners -- as long as markets are free and open.

This means that the goal of competitiveness is not simply to disadvantage the competition. It is to better deploy the advantages we have -- and to create new ones.

And that is why the work you do is so important. American small business has always been our most creative source of innovation and economic growth.

We've created 19 million new jobs in this country since the recovery began. That's five times the number of jobs created in Japan -- and small businesses are responsible for eight out of ten of them. Operations like yours make America work.

By creating jobs, you create opportunity. And while I'm President, government won't interfere with that. We will assure that you have the freedom you need, to do what you do best.

Competitiveness demands two things: flexibility in the marketplace, and the right kind of investment at home.

So we want to give employers and employees the flexibility to work out their own solutions, on issues like parental leave and health insurance. And we intend to promote the kind of investment that will allow every American to share in prosperity, and help to create more of it.

Americans are a diverse people. They don't want generic solutions, when a problem is best solved at its source.

Decisions made -- and actions taken -- at the local level can often better serve the interests of those involved. What I'm talking about, here, is the freedom to choose.

That's the driving principle behind our proposal on child care. We mean to create a system of refundable tax credits, focused particularly on low-income parents. We want to avoid burdensome federal standards and regulation that would limit family, church, and community-based care. We will examine the

liability insurance barriers for businesses interested in providing child care options.

We intend to put solutions -- and dollars -- in the hands of parents. We intend to promote choice in childcare.

Flexibility promotes creativity. It's always been the basis for real achievements in business. So we need to find new ways to encourage men and women to take risks. We need entrepreneurs who will invest their time, talents, and resources to build businesses. Unlock new markets. Unleash new technologies. And create new jobs. People who bring to the marketplace competitive products and quality services that are second to none in the world.

You know ~~where~~ what the challenges are.

Last year a large survey of CEOs suggested that while American business leaders are inherently optimistic, they're aware that we have new and important work to do. Ninety percent of them said that American business is still too short-term oriented.

I've built a business. Let me tell you, I know how tough it is. I understand the pressures you face. You don't need a lecture on the importance of savings and long-term investment.

You need government that enables you to do what you **know** how to do.

Competitiveness demands the right kind of investment, yes. That's one reason I support a differential in the capital gains tax -- cutting it to 15 percent on investments held for a year or more.

I see this as an important way to free up American businesses, without distorting world markets. The economies of the Pacific Rim -- the "four dragons" of Hong Kong, Singapore, Taiwan, and South Korea -- along with West Germany, the most dynamic country in Europe -- **all** exempt capital gains entirely from tax. Japan also had no tax on capital gains during its meteoric rise.

I call on anyone who talks about "leveling the playing field" with our trading partners, to consider this:

By taxing capital gains, we tilt the table against ourselves.

Restoring the capital gains differential would be a powerful incentive for businesses to invest, to innovate, to grow, and to create jobs.

For managers, it would ease some of the relentless pressure of quarterly reporting -- and allow them to focus on longer-term goals and operations, get a leg up in new markets, and apply new techniques and technologies. For workers, it means more jobs, at better wages. For all Americans, it means a real, competitive difference in the world marketplace.

I am committed to a program of careful, systematic investment to assure our competitive future. And our budget is an important first step in that investment.

We have proposed a 13 percent increase for science and technology programs in 1990. And we intend to double the National Science Foundation's budget by 1993, to develop engineering and scientific computing research centers -- and to build the right links between university, government, and industry labs.

We are recommending a permanent extension of the R&E tax credit, to keep us at the forefront of technological innovation -- especially in basic research.

And we want to encourage more domestic research by multinationals, by stabilizing the R&E expense allocation rules. The uncertainty brought on by expiring temporary rules has gone on for two decades. Businesses should be able to make long-term

research plans in a stable climate. Creating that climate is something government can -- should -- and will do.

We are determined to bring the deficit down -- with no new taxes -- by following Gramm-Rudman-Hollings targets and using **actual spending** as a frame of reference. You don't run your operations in a wonderland of perpetually expanding baselines -- and neither should government.

But the most important investment we can make, to assure a competitive future, is in training and education.

Jobs are becoming more demanding. The competition is getting tougher. Labor markets are getting tighter. So we'll need to do more to develop a highly-skilled, motivated, educated workforce.

You know, when I was building an oil business, we invested heavily in what was then a new technology -- off-shore drilling. Early on, we lost a drilling rig to a storm off the coast of Texas. I knew that whenever you're considering an investment, you rightly tend to focus on the risks involved.

Where training and education are concerned, the biggest risk is to **not** get involved.

American public education needs more of our support -- and less of our criticism. It's time to stop blaming the students -- stop blaming the schools -- stop blaming other institutions -- and start getting involved.

We should look to the vitality of our system -- and work to build strength through diversity.

Successful schools happen everywhere -- from rural communities to inner city neighborhoods. They are shaped by people with high expectations, from both the public and private sector, who work within the schools to bring about creative change.

This way of looking at it means that we are **all** accountable for the quality of our schools. We need to strengthen incentives to do better -- and we have a program to do just that.

We will expand Head Start, reward superior schools, and recognize outstanding teachers. We will establish a National Science Scholars Program. We will work to free our schools from the pestilence of drugs.

And we will be looking to you for help and guidance -- because good schools are good for business. Many of you are already involved with local schools, doing important work for

the future of your communities, and your country. More can be done. And I know you'll be there when we need you.

To compete successfully abroad, many of you will find yourselves competing for workers at home. I know managers who are seriously starting to worry about shortages of talented people.

There is a larger, untapped source of talent in this country. Such people are to be found and fostered among the young and underskilled, who need training. The older and more experienced, who need re-training. The disadvantaged, whose lives can be turned to advantage. Disabled workers, who ask only for a chance to prove their ability. Dual career families, who need options.

Opportunity doesn't necessarily knock on the door. It may be leaning against the wall or standing on the streetcorner, needing only to be seen for what it is.

In this, we need your leadership. The very heart of our ability to compete may depend on how well we enlist those who have, until now, been on the outskirts of economic growth. They will be needed.

Together we can build businesses that outwit, outmaneuver, outproduce, and outperform the competition.

We can achieve the kind of competitive advantage that comes from collective will. And we can make sure the words "made in America" simply mean "the best there is."

Thank you. And God bless you.

East Room 1PM-3PM

Small Bus. Type Coal March 2nd

[15 MIN.] John Sciaraj (?) 639-8500, President

BREAK IT UP w/ !*! BACK IT OFF w/ a STORY, OR WHAT ___ CALLS THE "

WHERE'S THE NEWS?

FORMAT? / INCL. OUTLINE IN FAX

RE-WRITE IN DISKBYWRITE TO Bob (avoid errors)

FAX BREAK. [FAX 523-1551]

BOB FAX 523-8699

C.C. - liability ins. init (?)

employment issues

Draft

Need min. wage

93 Needs assocs

Kate Moore: what is Bobby's position on mandates?

Dirty words - of Jerry progress. Acknowledge new reality. not just bad part good bus.

150 CEOs - call

make the write-off permanent

exp. acc. alloc.

cap. gain

Peter - not service

Bob Wortzel

budget - prior cut

Vice Pres. Gore

GET BREAKDOWN of INDUS: wide - from building, trucking, Coal

*mandated benefits - min wage, parental leave, mandatory healthcare, etc. } back in 101st Congress

*Note:

don't want to get behind your desk

flexib.

Top Tech.

R&D: not rest on laurels.

city of NY - the price paid for ignoring infrastructure - no reason should last for centuries painting

(building) Bridges - just look in westside ↳ have to maintain them cost astronomical - Gilbert

[[Lange]]
2/23

DRAFT REMARKS
FOR THE
SMALL BUSINESS LEGISLATIVE COUNCIL
WASHINGTON, D.C.
WEDNESDAY, MARCH 1, 1989

Thank you, _____. It is good to be with you this afternoon. As you may have heard, I just finished a tour through several countries in the Pacific Rim.

They say that travel teaches tolerance. And it is true -- my hosts abroad were certainly tolerant of my experiments with their language.

I think one of my toasts might as well have been translated by the interpreter as: "Laugh politely at the peculiar American humor."

Maybe I should have asked **them** to read my lips.

This afternoon you've heard from Gregg Petersmeyer, Elizabeth Dole, and Robert Mosbacher -- three key members of the team here in Washington.

And now that you have a feeling for their ideas and priorities, let me encourage you to work with them. Tell them what you're thinking. They are civil servants in the truest sense -- and they are looking for ways to make this a responsive government, a government by the people.

You know, there are some who say that the sun is rising in the Far East. Some even suggest that it's setting here at home. Well, for them, I have news. The 21st century can be the next American century -- if we understand the challenges before us, and move to meet them together.

More than ever, the world is interconnected; interdependent; and changing rapidly. More than at any point in human history, our societies and economies rely one upon the other.

So competitiveness -- which seems to be on everybody's mind these days -- takes on a challenging new angle. It means more than just market share and earned income. And it's more than a zero-sum, winner-take-all game.

Since 1980, world trade volume has nearly doubled. Almost a fifth of our industrial production is now in exports. Goods and services circle the globe overnight. Capital changes hands in seconds.

Power surges wipe out in the blink of an eye
the product of hours and days of thought.

In a world like that, all nations stand to benefit from the growth of their trading partners -- as long as markets are free and open.

This means that the goal of competitiveness is not simply to disadvantage the competition. It is to better deploy the advantages we have -- and to create new ones.

And that is why the work you do is so important. American small business has always been our most creative source of innovation and economic growth.

We've created 19 million new jobs in this country since the recovery began. That's five times the number of jobs created in Japan -- and small businesses are responsible for eight out of ten of them. Operations like yours make America work.

By creating jobs, you create opportunity. And while I'm President, government won't interfere with that. We intend to give you the freedom you need, to do what you do best. Because as well as we've done, we can do better.

Competitiveness demands flexibility in the marketplace. So we want to give employers and employees the flexibility to work out their own solutions, on issues like parental leave and health insurance. The wide range of alternatives and options that can be worked out at the local level always serve the best interests of those involved.

That's the driving principle behind our proposal on child care. Through a system of refundable tax credits, focused particularly on low-income parents; by avoiding burdensome federal standards and regulation that would limit family, church, and community-based care; and by examining the liability insurance barriers for businesses interested in providing child care options, we intend to put solutions -- and dollars -- in the hands of parents. We intend to promote choice in childcare.

We need more men and women willing to take risks. Entrepreneurs who invest their time, talents, and resources to build businesses. Unlock new markets. Unleash new technologies. And create new jobs. People who bring to the marketplace competitive products and quality services that are second to none in the world.

You know where the challenges are.

Last year a large survey of CEOs suggested that while American business leaders are inherently optimistic, they're aware that we have new and important work to do. Ninety percent of them said that American business is still too short-term oriented.

I've built a business. Let me tell you, I know how tough it is. I understand the pressures you face. You don't need a lecture on the importance of savings and long-term investment. You need government that enables you to do what you **know** how to do.

Competitiveness demands investment, yes. That's one reason I support a differential in the capital gains tax -- cutting it to 15 percent on investments held for a year or more. All of our biggest trading partners, including Japan and West Germany, tax long-term capital gains modestly -- if at all.

delete?

I understand that Japan is thinking about raising these taxes. I don't know who's advising them -- but maybe they ought to be on our payroll.

Restoring the capital gains differential would be a powerful incentive for businesses to invest, to innovate, to grow, and to create jobs.

For managers, it would ease some of the relentless pressure of quarterly reporting -- and allow them to focus on longer-term goals and operations, get a leg up in new markets, and apply new techniques and technologies. For workers, it means more jobs, at better wages. For all Americans, it means a real, competitive difference in the world marketplace.

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Gov't's responsibility (?)

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We will expand Head Start, merit schools, and a college savings bond program. We will work to free our schools from the scourge of drugs. And we will be looking to you for help and guidance -- because good schools are good for business. Local initiatives have made for many success stories. We need more of them.

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But talented people are to be found and fostered among the young and underskilled, who need training. The older and more experienced, who need re-training. Dual career families, that need options. The disabled, or the disadvantaged, who need only a chance to prove their worth.

pool of talented people untapped...

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In this, we need your leadership. The very heart of our ability to compete may depend on how well we enlist those who have, until now, been on the outskirts of economic growth. They will be needed.

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See P(3) comment.

→

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(Jie trip is in progress)

* Perhaps it's premature BUT - I believe we need here, as a balance to humor, a thoughtful comment or observation RE his trip to EAST -- before moving into sun/rising - U.S. scene on P7.

I flesh it out

In a world like that, all nations stand to benefit from the growth of their trading partners -- as long as markets are free and open.

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* By creating jobs, you create opportunity. And while I'm President, government won't interfere with that. We intend to assure ~~give~~ you the freedom you need, ~~to do what~~ you do best. Because as well as we've done, we can do better.

good!

Already gov't as an inalienable right - role of gov't = to protect.

Competitiveness demands flexibility in the marketplace. So we want to give employers and employees the flexibility to work out their own solutions, on issues like parental leave and health insurance. The wide range of alternatives and options that can be worked out at the local level always serve the best interests of those involved.

Expand the thought

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perhaps strengthen through affirmative steps?

TRANSITION?

good

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Last year a large survey of CEOs suggested that while American business leaders are inherently optimistic, they're aware that we have new and important work to do. Ninety percent of them said that American business is still too short term oriented.

THIS is a key idea/principle - Let's make more pithy and strong, so it gets up even more

Yum next pp.

* Mark! one thought: The 2 main ideas here to protect competiveness are: FLEXIBILITY + INVESTMENT — perhaps introduce th now there 2 ideas as organizing principle for speech. K.

good - bring forward to page 1? - AUDIENCE - bonding.

(3)

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good

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good *

looking for ways to level

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? ||

not sure this works.

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vivid

expand, make

perhaps

good?

for research and experimentation (R+E, technically)

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* Perhaps expand this thought! - All those Democrats want to do so much on trade issues -- heck, let's create a "level playing field" by reducing the relative cost of doing business. ie investment taxes

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CSB enacted already

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- Merit
- Teachers
- Scien scholars
- Accredit

examples?

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ability. workers

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interesting—

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Membership Directory 1988

Publication Made Possible By



Smaller Manufacturers Council
Mr. Leo R. McDonough (412) 391-1622
339 Boulevard of Allies
Pittsburgh, PA 15222

Society of American Florists
Ms. Elaine Acevedo (703) 836-8700
1601 Duke Street
Alexandria, VA 22314

SAF is the only national trade association representing segments of the floral industry–growers, wholesalers, retailers, manufacturers and suppliers of related products, educators, students and other organizations in the floral industry. The membership representative of every part of the floral industry: growers who produce fresh flowers, flowering plants, foliage, bedding plants and nursery stock; propagators; breeders; traditional wholesalers; shippers; importers; hardgoods manufacturers; mass marketers; full-service retailers; wire services; garden centers; interior landscapers; franchises and multi-branch retailers. Founded in 1884, and a membership over 10,000, the Society is headquartered just outside the nation's capitol in Alexandria, Virginia.
PR CONTACT: Elaine Acevedo

Specialty Advertising Association International
Mr. H. Ted Olson (214) 580-0404
1404 Walnut Hill Lane
Irving, TX 75038

SAA International was formed in 1964 by the consolidation of two trade associations, one of which dated back to 1904. A vertical trade association, SAA International represents both the suppliers (manufacturers) and the distributors of free, advertising-imprinted promotional merchandise called advertising specialties. Membership is comprised of 3,800 firms in the U.S., and some overseas, which produce and sell specialty advertising products and develop business promotions using them.
PR CONTACT: Richard G. Ebel

United Bus Owners of America
Mr. Wayne J. Smith (202) 484-5623
1275 K Street, N.W., Suite 800
Washington, DC 20005

Since its organization in 1971, United Bus Owners of America has represented over 2,000 bus companies in the U.S. and Canada. Its membership comprises tour and charter operators, transit operators and commuter operators.
PR CONTACT: George T. Snyder, Jr.

The Small Business Legislative Council (SBLC) is an independent, permanent coalition of trade and professional associations that share a common concern for the future of small business. The purpose of SBLC is twofold: to maximize the influence and strength of small business on legislative and Federal policy issues of importance to the entire small business community and to disseminate information on the impact of public policy on small business.

Since its creation in 1976, SBLC has grown to its current membership of over ninety associations. SBLC makes its own rules and chooses the subjects in which it becomes active. SBLC elects its own Officers and Board of Directors and maintains its own budget. Permanent committees on issues are established to develop policy and monitor Council activities in those areas. SBLC's Board of Directors meets regularly to oversee the Council's day-to-day affairs.

On matters ranging from developing favorable tax policy for small business to pressing for vigorous antitrust enforcement, SBLC's credentials are both well established and widely respected. Any issue which is important to small business in general, is important to SBLC. This list is potentially endless, and it is being expanded constantly as SBLC members discover that many of the problems of their members are shared in common by small business in other industries.

Experience has shown that SBLC is ideal for groups based outside Washington or groups which have small government affairs departments or both. The information, access and opportunity which SBLC provides can easily be used to dramatically increase an association's Washington profile.

Groups with more active government affairs programs also benefit from the variety and depth of SBLC's contacts. SBLC's strength lies in the sharing of combined expertise and resources by like-minded groups with common goals. Regardless of size or location, every participating member can use SBLC as an extension of its own capabilities and staff.

For more information on SBLC's position on issues of concern to small business or for membership information, contact SBLC at 1025 Vermont Avenue, N.W., Suite 1201, Washington, D.C. 20005, (202) 639-8500.

SMALL BUSINESS RESEARCH AND EDUCATION COUNCIL

The Small Business Research and Education Council (SBREC) is the research and education affiliate of the Small Business Legislation Council. SBREC fulfills two vital functions within the small business community. As an educational forum, the foundation sponsors seminars, conferences and special reports on public policy matters which have a direct impact on small business.

SBREC also conducts research on the role of small business in our economy and society. Small business represents the American dream of individual economic freedom and it also supplies the innovation and competition which keeps our economy strong. Yet the body of knowledge on how public policy affects small business and its ability to grow, expand and create new jobs, is limited. It is the goal of SBREC to respond to the need for a better understanding of small business in our society and economy.

SBREC is funded primarily through contributions and grants from individuals, corporations and foundations who share a concern for the future of small business. For further information write or call:
Small Business Research and Education Council
1025 Vermont Avenue, N.W.-Suite 1201
Washington, DC 20005
(202) 639-8500

Petroleum Marketers Association of America
Mr. Phillip Chisholm (202) 331-1198
1120 Vermont Ave., N.W., Suite 1130
Washington, DC 20005

The PMAA is the national voice of more than 11,000 independent petroleum product marketers. These marketers collectively sell more than half the gasoline and three quarters of the home heating oil consumed in America today. Formerly the National Oil Jobbers Council, PMAA is a federation of 41 state and regional associations representing the entire contiguous U.S.
PR CONTACT: David Morehead

Printing Industries of America, Inc.
Mr. Benjamin Y. Cooper (703) 841-8158
1730 North Lynn Street
Arlington, VA 22209

International federation of state, local, regional, national, and international associations in the graphic arts community. The membership of 12,500 includes printers, quick printers, typesetting firms, and other companies involved in the printing and graphic arts process. The basic services of the associations include government affairs, labor relations in the union and open shop sectors, marketing, ratio studies, seminars, and meetings. The association has a staff of approximately 85 and celebrates its 100th anniversary in 1987. Printing and publishing represent the nation's seventh largest industry.
PR CONTACT: Benjamin Cooper

Retail Bakers of America
Mr. Gerard Panaro (202) 785-9500
Webster, Chamberlain & Bean
1747 Pennsylvania Avenue, N.W.-Suite 1000
Washington, DC 20006

RBA was founded in 1918 and originated in Chicago, and is now headquartered in Hyattsville, MD. RBA is the national trade association representing 2,100 members for 37,000 independent in-store supermarket and specialty retail bakeries.
PR CONTACT: Peggy Hoffman (301) 277-0990

Small Business Council of America, Inc.
Mr. Vick Speed (615) 266-0099
Post Office Box 11544
Chattanooga, TN 37401-2544

The SBCA is a nationwide organization whose aim is to represent the interests of small business and professional organizations in connection with federal tax and employee benefit legislation in Washington. The primary goals are to keep our federal tax laws from becoming more burdensome on small businesses and their owners and to support legislation which creates needed economic incentives. With its leadership of tax attorneys, accountants and other business and employee benefit advisors, SBCA is the only "small business" organization with the expertise necessary to detect and analyze tax and employee benefit legislation in time to prepare testimony and contact the right people in Washington before it becomes law.
PR CONTACT: Vick Speed or Morton A. Harris P.O. Box 1199, Columbus, GA (404) 324-0251

National Tooling and Machining Association
Mr. Bruce N. Hahn (301) 248-6200
9300 Livingston Road
Fort Washington, MD 20744

NTMA represents 3,500 of the 12,000 companies nationally who manufacture precision machined parts, molds, dies, tooling and special machines. Serving virtually every other manufacturing industry, it provides the means of modern mass production. Without these essential parts and assembly line components produced by highly skilled journeymen using the most sophisticated computer aided design/computer aided manufacturer (CAD/CAM) machine tools, mass production could not exist.
PR CONTACT: Bruce N. Hahn

National Tour Association
Mr. James Host (606) 253-1036
P.O. Box 3071, 546 E. Main St. (800) NTA-8886
Lexington, KY 40596-3071

The NTA is made up of over 500 of North America's leading wholesale tour operators and over 2700 of North America's leading tour suppliers including every major hotel chain, restaurant chain, travel attraction chain and all 50 state agencies as well as all the Canadian provinces.
PR CONTACT: Mac Lacy

National Venture Capital Association
Mr. Allen Neece (202) 887-5599
1050 17th Street, N.W.
Washington, DC 20036

NVCA works to foster a broader understanding within government, universities, and the business community of the importance of venture capital and the free flow of capital to younger companies and its overall importance to the vitality of the United States economy.
PR CONTACT: Allen Neece

Opticians Association of America
Mr. James D. Hawkins (703) 691-8355
10341 Democracy Lane, P.O. Box 10110
Fairfax, VA 22030

OAA represents America's dispensing opticians, the men and women who fill prescriptions for corrective eyewear including eyeglasses, contact lenses, low vision aids and ocular prosthesis issued by ophthalmologists and optometrists. A major purpose of the OAA to encourage, establish and maintain standards of competence, knowledge and performance for optical dispensers through voluntary national certification and registration programs that include examination and continuing education requirements. The Association sponsors and promotes continuing education for opticians at its annual meeting and other programs as well as through publications that are distributed nationally to individual dispensing opticians. The association represents opticians and their customers before government and other organizations that influence the provision of optical dispensing services.
PR CONTACT: James D. Hawkins

Small Business Legislative Council

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Mr. Walter E. Galanty, Jr.
National Association of Brick Distributors

National Precast Concrete Association
Mr. Robert W. Walton (317) 253-0486
825 East 64th Street
Indianapolis, IN 46220

Organized in 1965, the NPCA serves an industry made up of more than 3,000 precast concrete manufacturers. Its membership of approximately 750 is located predominately in North America, but member companies from Europe, Asia, Australia and South America also make up the membership ranks. The precast concrete industry employs over 56,000 persons, with payrolls estimated to be more than 962 million dollars. Over 3 billion dollars of inventory are shipped each year by precast concrete manufacturers.
PR CONTACT: Bill Casteel (317) 253-0486 or Cindy Vorhies (317) 253-0486

National Shoe Retailers Association
Mr. William Boettge (301) 381-8282
9861 Broken Land Parkway, Suite 400
Columbia, MD 20146

Founded in 1912, NSRA has grown and expanded in its national membership, industry influence, staff and functions--especially in its scope of extensive membership services. Structured to serve the independent shoe retailer, NSRA also addresses the needs of multi-store operations, department stores, and leased departments. Over 3400 corporate members operating some 12,000 stores and departments nationwide.
PR CONTACT: William Boettge

National Society of Public Accountants
Mr. Stanley Stearman (703) 549-6400
1010 North Fairfax Street
Alexandria, VA 22314

The NSPA represents over 20,000 independent accountants in public practice. NSPA's members are for the most part sole practitioners or partners in moderately sized public accounting firms located throughout the United States. National Society members provide accounting, tax planning and other professional services to more than four million individuals and small businesses. The members of NSPA are pledged to a strict code of professional ethics and rules of professional conduct.
PR CONTACT: Benson S. Goldstein

National Tire Dealers and Retreaders Association
Mr. Philip P. Friedlander, Jr. (202) 789-2300
1250 I Street, N.W., Suite 400
Washington, DC 20005

Organized in 1921, the NTDRA meets the challenge of providing an organized support mechanism for over 5,000 independent tire dealers across the nation and in 30 foreign countries. Its comprehensive services help dealers operate effectively within an ever-changing industry.
PR CONTACT: C.D. Hylton, III

National Moving and Storage Association
Dr. T. Peter Ruane (703) 549-9263
124 South Royal Street
Alexandria, VA 22314

Formed in 1920, NMSA represents 1,400 local moving and storage companies located throughout the U.S. and 67 other countries. It is the nation's oldest and largest association of local agents and warehousemen. NMSA is a full service association offering a range of insurance, education, government representation, convention and publication programs; publishes a monthly technical journal Direction and the industry's only newspaper. NMSA has an affiliate foundation, Political Action Committee, State Association Council, a For-Profit Service Corporation, and manages the National Institute of Certified Moving Consultants which offers an education and certification program serving over 1,000 sales and marketing professionals in the moving industry.
PR CONTACT: Joyce McDowell

National Office Products Association
Mr. Bruce McLellan (703) 549-9040
301 North Fairfax Street
Alexandria, VA 22314

Since its founding in 1904, the National Office Products Association has played a major role in the evolution of the office products industry. With more than 8,000 corporate members, NOPA serves an entire industry of retailers, manufacturers, wholesalers and sales representatives–all engaged in either the manufacturing, distribution or sales of supplies, furniture, equipment or machines used in the office.
PR CONTACT: Simon De Groot

National Parking Association
Mr. George V. Dragotta (202) 296-4336
1112 16th St., N.W., Suite 300
Washington, DC 20036

Since 1951, the NPA has provided leadership, professionalism and service for the world's parking industry. With members in every state and over 20 foreign countries, NPA represents private, commercial operators; parking administrators for municipalities, hospitals, colleges, universities, airports, port authorities and parking authorities; and suppliers of parking equipment or services to the industry. NPA speaks for the parking industry with Congress and the Administration; works to strengthen and promote local, regional and state parking associations; holds industry-wide seminars and workshops on timely topics; and produces several publications to keep parking professionals up-to-date on industry developments.
PR CONTACT: George V. Dragotta

Members of the Small Business Legislative Council

Alliance of Independent Store Owners and Professionals
American Association of Nurserymen
American Consulting Engineers Council
American Council of Independent Laboratories
American Dental Trade Association
American Electronics Association
American Floorcovering Institute
American Machine Tool Distributors Association
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Architectural Precast Association
Associated Builders & Contractors
Associated Landscape Contractors of America
Association of Physical Fitness Centers
Association of Small Business Development Centers
Association of the Wall and Ceiling Industries-International
Automotive Service Association
Automotive Warehouse Distributors Association
Building Service Contractors Association International
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Independent Medical Distributors Association

Independent Sewing Machine Dealers Association

International Association of Refrigerated Warehouses

International Bottled Water Association

International Communications Industries Association

International Fence Industry Association

International Franchise Association

International Reciprocal Trade Association

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Manufacturers Agents National Association

Mechanical Contractors Association of America, Inc.

Menswear Retailers of America

National Association for the Self-Employed

National Association of Aircraft and Communication Suppliers

National Association of Brick Distributors

National Association of Catalog Showroom Merchandisers

National Association of Chemical Distributors

National Association of Development Companies

National Association of Home Builders

National Association of Investment Companies

National Association of Manufacturing Opticians

National Association of Personnel Consultants

National Association of Plumbing-Heating-Cooling Contractors

National Association of Realtors

National Association of Retail Druggists

National Association of Small Business Investment Companies

National Grocers Association

Mr. Thomas K. Zaucha (703) 437-5300
1825 Samuel Morse Drive
Reston, VA 22090

The NGA was formed in October 1982 by a merger of the Cooperative Food Distributors of America (CFDA) and the National Association of Retail Grocers of the United States (NARGUS). Both these organizations had well-established traditions of providing service and support to their members and leadership to the industry in general. The mission of the NGA is to promote and advance the common interests and enhance the mutual understanding and relationships of independent food retailers, retailer-owned cooperatives and voluntary wholesale distributors engaged primarily in the sale and distribution of food and related products.
PR CONTACT: Mark Baum

National Independent Dairy-Foods Association

Mr. Donald A. Randall (202) 543-3838
321 D Street, N.E.
Washington, DC 20002

NIDA was founded in 1957 and serves independent dairy processors and handlers in the U.S. Our focus is on Washington legislative and legal representation of the proprietary, taxpaying companies who purchase milk and convert it into wholesome, consumable dairy products for million of Americans.
PR CONTACT: Don Randall

National Motorcycle Retailers Association

Mr. Peter A. Kirsch (202) 328-1540
1441 Que Street, N.W.
Washington, DC 20009

NMRA is an association that deals specifically with the motorcycle retailers. NMRA is the only national association representing the motorcycle retailers.
PR CONTACT: Peter A. Kirsch or Stephen J. Dickson

National Machine Tool Builders' Association

Mr. James Mack (703) 893-2900
7901 Westpark Drive
McLean, VA 22120

NMTBA is the spokesman for America's machine tool industry. With 265 members that produce the vast majority of the metal-cutting and metal-forming machines in America, the association conducts the country's largest industrial trade show, IMTS; actively promotes machine tool exports; maintains the worlds largest database on metalworking industry statistics, spearheads safety and technical standards and effectively represents the industry in Washington and to America's manufacturing industries.
PR CONTACT: Charles Pollock (703) 827-5206

National Coffee Service Association
Mr. G. Dean Wood (703) 273-9008
4000 Williamsburg Square
Fairfax, VA 22032

In June of 1972, a group of leaders from the office coffee service industry gathered to create a unified voice which would provide leadership and direction to their scattering businesses. The National Association of Office Coffee Service Operators emerged from that informal meeting. In 1973, after incorporation, the National Coffee Service Association became the voice of this dynamic and promising industry. Today, NCSA exists to enhance the professional nature of OCS executives, to aid in performance improvement for members and their employees, to promote quality standards throughout the industry and to represent the industry in all affairs of public domain.
PR CONTACT: G. Dean Wood or Jerry Boutcher

National Council for Industrial Innovation
Mr. Jere Glover (202) 775-1135
1725 K Street, N.W., Suite 308
Washington, DC 20006

National Electrical Contractors Association, Inc.
Mr. Robert L. White (301) 657-3110
7315 Wisconsin Avenue
Bethesda, MD 20814

Formed in 1901, NECA is the nationally-recognized organization speaking for electrical construction industry. With over 5,000 member firms the association provides a broad range of services to the industry, including support and education in such areas as government affairs, research, codes and standards, management, marketing and labor relations. The association has a large field staff to bring services directly to the membership. NECA publishes a monthly magazine, a weekly newsletter and holds an annual convention and electrical exposition.
PR CONTACT: Jon Berger

National Fastener Distributors Association
Ms. Mary Ann Langholz (614) 237-0252
3094 Cressing Place
Columbus, OH 43227

The NFDA is a trade association comprised of distributors importers and/or manufacturers of industrial fasteners who hold inventory in North America. It serves primarily the stocking distributor and was organized in 1968.
PR CONTACT: Mary Ann Langholz

National Association of the Remodeling Industry
National Association of Truck Stop Operators
National Association of Women Business Owners
National Candy Wholesalers Association
National Chimney Sweep Guild
National Coffee Service Association
National Council for Industrial Innovation
National Electrical Contractors Association
National Fastener Distributors Association
National Grocers Association
National Independent Dairy-Foods Association
National Motorcycle Retailers Association
National Machine Tool Builders' Association
National Moving and Storage Association
National Office Products Association
National Parking Association
National Precast Concrete Association
National Shoe Retailers Association
National Society of Public Accountants
National Tire Dealers & Retreaders Association
National Tooling and Machining Association
National Tour Association
National Venture Capital Association
Opticians Association of America
Petroleum Marketers Association
Printing Industries of America, Inc.
Retail Bakers of America
Small Business Council of America, Inc.
Smaller Manufacturers Council
Society of American Florists
Specialty Advertising Association International
United Bus Owners of America

MEMBERSHIP

National Association of Truck Stop Operators
Mr. Howard Menaker (703) 549-2100
1199 N. Fairfax St., Suite 801
Alexandria, VA 22314

The NATSO is a nonprofit organization made up of over 1,000 member companies who run and operate truck stops in the U.S. and internationally and over 700 companies that supply products or services used in the operation of truck stops. The primary purpose of the association is to stimulate the general welfare of the truck stop industry, to encourage the practice of high personal and professional standards, to promote the commercial interests of its members and to provide the opportunity for the exchange of opinions and business experience throughout the industry.
PR CONTACT: Roger King

National Association of Women Business Owners
Ms. Virginia Littlejohn (202) 296-2030
918 16th Street, N.W., Suite 406
Washington, DC 20006

The NAWBO, headquartered in Chicago, is the only dues based national organization representing the interests of all women entrepreneurs in all types of businesses. The organization currently has 39 chapters.
PR CONTACT: Susan Hager

National Candy Wholesalers Association
Mr. Russ Shipley (202) 463-2124
1120 Vermont Avenue, N.W.
Washington, DC 20005

The NCWA is the leading national voice of the country's wholesale distributors of confectionery, tobacco, and allied products. It serves over 2,700 members and associate supplier/broker members throughout the country through conventions and expositions, education and public relations programs, member services, publications and government representation.
PR CONTACT: Shelly Grossman

National Chimney Sweep Guild
Mr. John E. Bittner (301) 774-5600
18115 Georgia Avenue
P.O. Box 563
Olney, MD 20832

NCSG is a national trade organization representing some 1,000 of the nation's chimney sweeps. NCSG stages an annual convention and trade show, publishes sweeping magazine, provides business & marketing information and technical information, legislative & regulatory reportage and offers a national chimney sweep certification program. Members are dedicated to protection of life & property and creating an awareness of the dangers of chimney fires among the American public. Our members sweep, inspect, and reline chimneys and install and maintain wood stoves and other alternative energy appliances.
PR CONTACT: John E. Bittner

National Association of Realtors®

Mr. Gil Thurm (202) 383-1074
777 14th Street, N.W.
Washington, DC 20005

NAR is the nations largest trade association representing more than 750,000 members involved in all aspects in the real estate industry. NAR serves members in all 50 states, Guam, District of Columbia, Puerto Rico and the Virgin Islands. The NAR family is comprised of 50 State Associations, some 2,000 Local Boards of REALTORS®, and nine Institutes, Societies and Councils dealing with specialized areas such as property management, appraisals, commercial and industrial real estate, real estate counseling, syndications, etc.
PR CONTACT: Jeff Lubar or Walter Molony

National Association of Retail Druggists

Mr. John Rector (703) 683-8200
205 Daingerfield Road
Alexandria, VA 22314

Founded in 1898, the NARD represents the owners of more than 40,000 independent pharmacies where 75,000 pharmacists practice their profession. The pharmacists dispense approximately 70 percent of all prescriptions and serve 18 million consumers daily. Over 60 percent of NARD's members provide home health care pharmacy services.
PR CONTACT: John Rector

National Association of Small Business Investment Companies

Mr. Peter McNeish (202) 833-8230
1156 15th St., N.W., Suite 1101
Washington, DC 20005

For more than 28 years, the NASBIC has promoted the growth and profitability of the small business investment company (SBIC) industry. Its 350 members channel venture capital and long-term loans to new and growing small business concerns. During 1986 alone, SBICs invested over $475 million in emerging growth companies, creating thousands of new jobs and increased federal tax revenues.
PR CONTACT: Eileen E. Denne

National Association of the Remodeling Industry

Mr. Richard F. Ali (703) 276-7600
1901 North Moore St., Suite 808
Arlington, VA 22209

The NARI is the only full-service trade association representing all segments of the professional remodeling industry. NARI stands with more than 50 years of experience as the only forum committed exclusively to the remodeling industry and as an ally of the nation's homeowner. Today, NARI represents over 4,000 member firms ranging from the local contractor to the multi-million dollar national manufacturer, with a network of over 65 local NARI Associations. The professional remodeling industry is growing at an annual rate of 15% with current sales in excess of 85 billion dollars annually.
PR CONTACT: Jacelyn Swenson

Alliance of Independent Store Owners and Professionals

Ms. Donna E. Hanbery (612) 333-5411
4150 Multifoods Tower
Minneapolis, MN 55402

The AISOP was organized to protect and promote fair postal policies for business mailers. Most of its 1,100 members are independent small businesses that rely on reasonable third class mail rates to promote their businesses and contact customers in their trade areas. Reasonable postage rates are necessary to permit these businesses to compete with large businesses, and multiple location concerns that can afford to advertise in daily papers and the electronic media.
PR CONTACT: Donna E. Hanbery

American Association of Nurserymen

Mr. Lawrence Scovotto (202) 789-2900
1250 I Street, N.W.
Washington, DC 20005

Since its organization in 1875, the American Association of Nurserymen has grown steadily as the national trade organization of the nursery/landscape industry. Today it serves over 4,000 member firms engaged in the nursery business: growers, garden center retailers, landscape firms, mailorder nursery businesses and allied suppliers to the horticultural community.
PR CONTACT: Gordon Dunlop

American Consulting Engineers Council

Ms. Vicki R. Keenan (202) 347-7474
1015 15th Street, N.W., Suite 802
Washington, DC 20005

ACEC is a national association of 4,700 independent private practice engineering firms that employ some 138,000 engineers, scientists, technical and support staff. The firms annually design some $100 billion in constructed public and private industry projects.
PR CONTACT: Vicki Keenan

American Council of Independent Laboratories

Mr. Joseph O'Neil (202) 887-5872
1725 K Street, N.W., Suite 301
Washington, DC 20006

ACIL represents tax-paying laboratories who provide analytical, testing, and R&D services to clients in industry, commerce and government. The association is fifty years old and includes 350 member firms. The member firms have an average of 30 employees and it is estimated that the industry provides $7.5 billion of laboratory services each year.
PR CONTACT: Joseph O'Neil

American Dental Trade Association

Mr. Nikolaj M. Petrovic (703) 379-7755
4222 King Street
Alexandria, VA 22302

The ADTA is the oldest and largest trade association representing the dental industry in the U.S. It has been in continuous operation since 1882 and its membership consists of manufacturers and distributors of supplies and equipment used in the dental office, the dental laboratory and the dental school. The objective of the ADTA as reflected in its "Articles of Association" is to: "promote and encourage the development and distribution of equipment and materials for the dental profession, enabling it to perform the highest degree of useful service for the public health and welfare and to collect and disseminate facts about the industry which will assist the respective members in the conduct of their businesses and in making their individual business decision." The Association specifically recognizes the right of each member to determine independently his own business policies.
PR CONTACT: Nikolaj M. Petrovic

American Electronics Association

Mr. Ralph J. Thomson (202) 682-9110
1225 I Street, N.W., Suite 950
Washington, DC 20005

The 43 year-old AEA is the nation's largest and fastest growing trade association serving the high technology industries. AEA's 3,200 member companies represent all segments of the electronics and information technology industries. While the AEA membership includes companies of all sizes from "start-ups" to the largest companies in the industry, seventy five percent of them employ fewer than 250 people. The association serves its members locally through a unique network of sixteen Councils located in high technology regions across the nation. AEA's broad range of services to its member companies includes advocacy before government bodies at the local, state and federal levels, industry surveys, management education, special programs for CEOs, insurance programs and a variety of special activities in its Councils.
PR CONTACT: Ralph J. Thomson

American Floorcovering Institute

Mr. Sheldon I. London (202) 639-8888
1025 Vermont Ave., N.W., Suite 1201
Washington, DC 20005

AFI is the national trade association representing retail floorcovering specialty firms, and seeks to achieve retailer professionalism through education. The eleven-year-old trade association is composed of 2,000 member companies who account for 60% of all floor covering sales in the U.S. The association offers a variety of educational programs and member services. It also maintains a Washington, DC legislative office. AFI is headquartered in Chicago's Merchandise Mart, and maintains regional offices in Atlanta and Dallas. AFI enjoys the support of associate-members who are the leading manufacturing and distributing companies in the U.S.
PR CONTACT: Edward S. Korczak, 13-154 Merchandise Mart, Chicago, IL 60654 (800-621-8020)

National Association of Investment Companies

Ms. JoAnn H. Price (202) 347-8600
915 15th Street, N.W., Suite 700
Washington, DC 20005

NAIC represents specialized SBIC venture capital companies. These companies assist new and growing small business concerns through equity funds, long term loans and management assistance. And the net effect is a stronger, more prosperous minority business community. The Association was founded in 1971 and approximately 200 specialized venture capital companies now operate throughout the United States.
PR CONTACT: JoAnn H. Price

National Association of Manufacturing Opticians

Mr. William J. Flannery, III (214) 231-6266
13140 Coit Road, LB 144
Dallas, TX 75240

The NAMO, initially formed in December of 1975, was formalized by incorporation under the laws of the State of Texas on January 18, 1978. NAMO's membership is comprised of optical laboratories, both national and regional in scope, who desire to share their areas of expertise with legislative and regulatory bodies, manufacturers and the general public, in addition to providing quality eyewear at a reasonable price within the state-of-the art. Its membership comprises both "manufacturing opticians" and associate members representing a broad spectrum of manufacturers of ophthalmic materials, i.e. lens, frames, machinery. NAMO is part of an 8 billion dollar industry.
PR CONTACT: William J. Flannery

National Association of Personnel Consultants

Mr. John Lisack, Jr. (703) 684-0180
1432 Duke Street
Alexandria, VA 22314

NAPC is a professional group of men and women who own and manage private personnel placement/personnel consulting firms throughout the U.S. and abroad. NAPC consists of 2000 privately owned companies.
PR CONTACT: John Lisack, Jr.

National Association of Plumbing-Heating-Cooling Contractors

Mr. Robert E. Beck (703) 237-8100
180 S. Washington St.
Falls Church, VA 22046

The NAPHCC is the oldest national association in the construction industry and the largest in the plumbing-heating-cooling industry. It has over 6,000 members. Membership comes from every state in the country and is organized through about 300 state and local affiliated associations. This industry employs over 510,000 people and has receipts of over 32 billion dollars.
PR CONTACT: David Goldberg

National Association of Catalog Showroom Merchandisers

Mr. Harry B. Merchant (203) 651-4224
P.O. Box 699, 6 Meadow Crossing
West Simsbury, CT 06092

NACSM is the only trade association that is solely with the catalog showroom merchandisers. It addresses all aspects of the CSM business such as the legal legislative activities and education seminars. NACSM works with the showroom operators and vendors and reps related service people other than operators or considered to be associate members. NACSM was established in 1972 with a member group of approximately 1,000.
PR CONTACT: Harry B. Merchant

National Association of Chemical Distributors

Ms. Marie Klemann (202) 296-9200
1615 L Street, N.W., Suite 925
Washington, DC 20036

The NACD represents 280 independent distributors with annual sales of more than $4 billion. NACD was formed in 1971.
PR CONTACT: Marie Klemann

National Association of Development Companies

Mr. Jeb Burnside (202) 785-8484
1730 Rhode Island Ave., N.W., Suite 209
Washington, DC 20036

NADCO was organized in 1981 to represent companies certified to finance small business expansion and job creation through the SBA's Sec. 503 lending program. Membership has grown steadily to more than 200 members nationwide. In just over five years, Certified Development Companies have leveraged more than $1 billion in private capital for small businesses by providing companion loans totaling almost $900 million through the sale of SBA-guaranteed debentures.
PR CONTACT: Jeb Burnside

National Association of Home Builders

Mr. Robert D Bannister (202) 822-0470
15th & M Streets, N.W.
Washington, DC 20005

Since its formation in 1942, the NAHB has evolved into a major trade association with more than 145,000 members. A federation of over 800 state and local builder organizations representing members throughout the country, NAHB is a diverse but cohesive organization. Its members engage in all aspects of the building industry including single family and multifamily housing, commercial, light industrial, and land development. NAHB's mission is to enhance the climate for housing and the building industry and promote and maintain policies that will keep housing a national priority while also providing opportunities for all consumers to have safe, decent, and affordable housing.
PR CONTACT: Deborah Miller or Bill Ellingsworth (202) 822-0403 or (202) 822-0470

American Machine Tool Distributors Association

Mr. Ralph J. Nappi (301) 654-1200
4720 Montgomery Lane
Bethesda, MD 20814

AMTDA was founded in 1925 to represent industrial machine tool distributors and builders. Currently the 240 distributor members represent 85% ($2.63 billion) of all machine tools sold through distributors in the U.S. AMTDA also represents 180 domestic and foreign machine tool builders.
PR CONTACT: Ralph Nappi

American Society of Travel Agents, Inc.

Mr. John C. Bennison (703) 739-2782
P.O. Box 23992
Washington, DC 20026-3992

ASTA is the largest professional travel trade association in the world representing over 21,000 members in 129 countries. Founded in 1931, ASTA strives to enhance the ability of its members to conduct their businesses with integrity and competency, to represent its members in government and in the travel industry, and to promote travel and travel agents to the public at large.
PR CONTACTS: Ray Greenly

American Sod Producers Association

Mr. Douglas H. Fender (312) 705-9898
1855-A Hicks Road
Rolling Meadows, IL 60008

Formed in 1967, ASPA currently has over 650 members in the U.S., Canada and 11 other countries. Its meetings, programs and publications assist both its members and the consuming public through research and education.
PR CONTACT: Douglas H. Fender

American Subcontractors Association

Ms. E. Colette Nelson (703) 684-3450
1004 Duke Street
Alexandria, VA 22314

ASA, based in Metropolitan Washington, DC, is a national organization representing the concerns and interests of all construction subcontractors, both union and non-union, regardless of trade specialty. ASA concentrates primarily on the business, contract, and payment issues affecting all subcontractors. The association seeks solutions to the problems created by retainage, bid shopping and bid peddling, slow pay, delay claims, and unreasonable Federal, state and local government regulations. ASA has 7,000 members participating in 60 chapters nationwide.
PR CONTACT: Marsha Rhea

American Textile Machinery Association

Mr. David S. O'Bryon (703) 533-9251
7297 North Lee Highway, Suite N
Falls Church, VA 22042

ATMA was formerly organized in 1933, and represents one of nation's largest industries. With a membership of 100+ companies and 25-30 support groups, it represents upwards of 80% of the total industry volume. ATMA is the only U.S. trade association devoted solely to the advancement of U.S.-based manufacturers of textile machinery, ancillary equipment and parts. Its members annually produce the substantial majority of textile machinery made in the U.S. The organization is located in the Washington DC area, under professional management, funded largely by exhibition revenue and members dues. The industry is concentrated in the southeast and New England. Textile machinery includes many equipment types beginning with cleaning and opening, through spinning and weaving, to finishing, and parts and accessories.
PR CONTACT: David S. O'Bryon or Harry W. Buzzerd

American Trucking Association

Mr. John Lynn (202) 544-6245
430 First Street, S.E.
Washington, DC 20003

The ATA is the national trade association of the trucking industry. Through its 51 affiliated trucking associations, located in every state and the District of Columbia, eleven affiliated conferences, and several thousand individual motor carrier members, ATA represents every type and class of motor carrier in the country.
PR CONTACT: Jean Statler

American Warehousemen's Association

Mr. Jerry Leatham (312) 787-3377
1165 N. Clark Street, Suite 613
Chicago, IL 60610

The AWA, founded in 1891, represents the interests of the public merchandise warehousing industry. Membership consists of over 400 warehousing firms throughout the United States and foreign countries. The membership operates over 157 million square feet of public merchandise warehousing space in the United States, which is estimated to represent about 70% of the industry.

Architectural Precast Association

Mr. Robert W. Walton (317) 253-0486
825 East 64th Street
Indianapolis, IN 46220

The Architectural Precast Association was organized in 1966 by manufacturers of precast concrete architectural cladding panels for low and high rise commercial type buildings. The organization is North American in scope and its members produce in excess of 75% of panels currently being manufactured. Panel producers work closely with design professionals to achieve a wide variety of shapes and forms of custom precast concrete. One of the many outstanding examples of precast is the John F. Kennedy Library.
PR CONTACT: Robert W. Walton

Menswear Retailers of America

Mr. Doug Wiegand (202) 347-1932
2011 I Street, N.W., Suite 600
Washington, DC 20008

Menswear Retailers of America is a 73 year old national trade association for independent menswear specialty stores. The association represents approximately 4,000 stores in the U.S., Canada and overseas. MRA offers its members a comprehensive program of benefits and services in the areas of insurance, group bankcard programs, education, products, and information.
PR CONTACT: Barry Becker

National Association for the Self-Employed

Mr. Jere Glover (202) 775-1135
1725 K Street, N.W., Suite 308
Washington, DC 20006

The NASE represents over 100,000 self employed men and women. NASE provides a sounding board and action groups for businesses of 10 employees or less.
PR CONTACT: Jere Glover

National Association of Aircraft and Communication Suppliers

Mr. Joseph J. Petrillo (202) 861-1032
Dunnells, Duvall, Bennett & Porter
1220 19th Street, N.W., Suite 400
Washington, DC 20036

NAACS is made up of small business surplus aircraft parts dealers and manufacturers. The association is interested in Government procurement sales and data release policies.
PR CONTACT: Joseph J. Petrillo

National Association of Brick Distributors

Mr. Walter E. Galanty, Jr. (703) 549-2555
1000 Duke Street
Alexandria, VA 22314

Since its organization in 1956, the NABD has served the masonry industry as the sales and marketing arm. Growing steadily from 13 members in 1956 to over 500 today, NABD is the only trade association that represents the needs of dealers and distributors of all types of masonry products. NABD represents an industry that stands as the cornerstone of all building materials.
PR CONTACT: Walter E. Galanty, Jr.

Latin American Manufacturers Association

Mrs. Luz Hopewell (202) 546-3803
419 New Jersey Ave., S.E.
Washington, DC 20003

The LAMA is a national non-profit trade association that promotes hispanic enterprise industry and technology through the U.S. by supporting public policy favoring minority business. From its Washington, DC location LAMA closely monitors issues affecting the hispanic business community through the association contacts and influence. In this regard LAMA works closely with the White House and Departments of Defense, Commerce, and Transportation and other Government agencies as well as with Senators and Congressmen.
PR CONTACT: Luz Hopewell

Machinery Dealers National Association

Mr. Darryl McEwen (301) 585-9494
1110 Spring Street
Sliver Spring, MD 20910

MDNA is an international, non-profit trade association, established in 1941, to assure buyers of the integrity and reliability of used metalworking machinery dealers who are members of MDNA. The association represents more than 450 member firms who account for more than 70 percent of the used machine tools sold in the United States. MDNA is comprised of 14 chapters--12 in the United States and one in both Canada and Europe.
PR CONTACT: Lois F. Brand

Manufacturers Agents National Association

Mr. James J. Gibbons (714) 859-4040
Post Office Box 3467
Laguna Hills, CA 92653

MANA members include both manufacturer agents and manufacturers who use agents as well. MANA is primarily an educative device and advocates and teaches both parties on how to work profitably with one another. The association supplies ethical and legal guidance by giving seminars, publish a monthly magazine, newsletters, bulletins and special publications.
PR CONTACT: Bert Holt, Jr.

Mechanical Contractors Association of America, Inc.

Ms. Melissa Woodring (301) 897-0770
5410 Grosvenor Lane, Suite 120
Bethesda, MD 20814

Organized in 1889, MCAA represents heating, piping, air conditioning and plumbing contractors (mechanical contractors). The work of a mechanical contractor includes the fabrication and installation of heating, ventilating, air conditioning and process piping systems, and encompasses service, maintenance and the testing, adjusting and balancing of these systems. MCAA has 1,300 member firms employing approximately 125,000 persons.
PR CONTACT: Gregory Rosenberg

Associated Builders & Contractors

Mr. Charles E. Hawkins, III (202) 637-8800
729 15th Street, N.W.
Washington, DC 20005

Associated Builders and Contractors, is a national construction management association in Washington, D.C., representing nearly 20,000 open shop (non-union) construction and construction-related firms across the country. The 38-year-old national association has become the leading spokesman for open shop contractors nationwide. ABC actively "markets" the advantages of building open shop to users and others.
PR CONTACT: Michael Dunbar

Associated Landscape Contractors of America

Ms. Martha Bradford (703) 241-4004
405 N. Washington Street
Falls Church, VA 22046

The ALCA is a national organization representing approximately 1,400 interior, exterior and maintenance contractors from all over the country and abroad. The association was founded in 1961 to provide an exchange of business and technical ideas and information among its members in order to better serve the public through quality landscaping and environmental concern.
PR CONTACT: Martha Bradford

Association of Physical Fitness Centers

Dr. Jimmy D. Johnson (301) 424-7744
600 Jefferson St., Suite 202
Rockville, MD 20852

APFC is the national trade association for the full service physical fitness center segment of the health spa industry. The Association was established in March 1975. It represents 100 active members who operate 550 full service health clubs nationwide covering all major metropolitan areas. The Association also lists 20 major suppliers of fitness facility equipment and services as associate members. Relying on its own Code of Ethical Practices for philosophical guidance, the APFC developed model legislation pertaining to health spa operations for use in drafting state law where appropriate. Working cooperatively with the state legislatures, APFC supported legislation, later enacted, aimed at giving needed protection to the consumer as a health club member. The APFC has a long-range commitment to the health and well-being of the public. It takes an enlightened view of consumer protection. The Association is geared to motivate owners, legislators, and regulators toward a conscientious, long-range program which will be increasingly productive for both the customer and the business owner. As more and more Americans develop regular exercise habits, the APFC seeks to channel those habits into facilities operating under financially and ethically sound business practices.
PR CONTACT: Dr. Jimmy D. Johnson

Association of Small Business Development Centers

Mr. Allen Neece (202) 887-5599
1050 17th St., N.W., Suite 810
Washington, DC 20036

The ASBDC consists of 48 small business development centers located throughout the country. SBDC's provide technical and management expertise to smaller concerns. The SBDC program is a jointly funded endeavor based in the U.S. Small Business Administration. Equal funding is provided by SBA and the state in which an SBDC is located.
PR CONTACT: Allen Neece or Tom Cator

Association of the Wall and Ceiling Industries-International

Mr. Joe M. Baker, Jr. (202) 783-2924
25 K Street, N.E., Suite 300
Washington, DC 20002

Founded in 1981 AWCII is an organization of contractors, suppliers, and others (general interest) connected with the various disciplines of the wall and ceiling construction industry including, but not limited to, acoustical systems, demountable partitions, drywall, fireproofing, lath-and-plaster, exterior insulation finish systems (EIFS), prefabricated exterior walls, and so forth. The association has a semi-autonomous division known as the Asbestos Abatement Council which represents contractors and suppliers and general interest in the fast-growing field of removal or encapsulation of asbestos from building.
PR CONTACT: Denise McGiffin

Automotive Service Association, Inc.

Mr. Allen Richey (817) 283-6205
P. O. Box 929
Bedford, TX 76021-0929

ASA is the largest and oldest automotive service trade association in the United States. We have 11,600 repair shop owner members. We provide technical training, bulletins and a full range of association services through our national headquarters at the address above and at 321 D Street, N.E., Washington, DC 20002.
PR CONTACT: Don Randall (202) 543-1440

Automotive Warehouse Distributors Association

Mr. Martin Fromm (816) 444-3500
9140 Ward Parkway
Kansas City, MO 64114

AWDA is the only trade association representing independent automotive warehouse distributors exclusively who purchase parts from manufacturers and resell to thousands of automotive jobbers across the country.
PR CONTACT: Basil J. Mezines (202) 737-7777

International Communications Industries Association

Mr. Kenton Pattie (703) 273-7200
3150 Spring Street
Fairfax, VA 22031-2399

Formed in 1949 by a merger of communications associations. ICIA was known as the National Audio-Visual Association for its first 33 years. The association represents over 800 video, computer, and audio-visual companies in the United States, 150 companies in other countries, and 184 associates who are users of the industry's products. At the heart of ICIA are 460 local dealers, 31 independent manufacturer's reps, 51 independent media producers, 51 computer, video and film producers and 114 manufacturers. The association sponsors COMMTEX the first and largest communications Expo–which features the state of the art products and services needed by educators, trainers, public relations, and advertising firms, government employees, and corporate executives. The show reaches 11,000 attendees and covers 90,000 square feet of booth space. ICIA is headquarters for the Coalition for Prompt Pay, the Coalition for State Prompt Pay, state activities of the Business Coalition for Fair Competition, and AVC Fund.
PR CONTACT: Kenton Pattie

International Fence Industry Association

Ms. Kay L. Knapp (800) 822-4342
8609 Cross Park Drive
Austin, TX 78754

International Franchise Association

Mr. William B. Cherkasky (202) 628-8000
1350 New York Ave., N.W., Suite 900
Washington, DC 20005

The IFA, a trade association representing more than 620 companies which use business format franchising as a method of conducting their business, is the only national organization representing franchisors. IFA's member companies must meet strict financial and other standards and are active in 60 different types of franchised businesses. IFA takes special interest in laws and regulations affecting franchising.
PR CONTACT: Stanley L. Williams

International Reciprocal Trade Association

Mr. Paul E. Suplizio (703) 823-8707
4012 Moss Place
Alexandria, VA 22304

Consisting of the leading members of the commercial barter industry in the U.S. the International Reciprocal Trade Association has since 1979 fostered the interest of this young and growing industry which now serves over 100,000 businesses nationwide, allowing firms to trade with each other while conserving cash. The 130 members of IRTA comprise the nation's largest repository of expertise in domestic barter and countertrade.
PR CONTACT: Paul E. Suplizio

Independent Medical Distributors Association

Mr. Frank A. Bistrom (913) 262-4510
5845 Horton, Suite 201
Mission, KS 66202

The IMDA is made up of independent high tech specialty medical distributors that primarily market to hospitals and physicians.
PR CONTACT: Frank Bistrom

Independent Sewing Machine Dealers

Ms. Jo Ann Gram (614) 870-7211
Post Office Box 338
Hilliard, OH 43026

ISMDA is a trade association for dealers who service and sell sewing machines and allied products. This is an international association with members throughout the U.S., Canada as well as Europe and Asia. ISMDA publishes the monthly publication "Round Bobbin".
PR CONTACT: Jo Ann Gram

International Association of Refrigerated Warehouses

Mr. J. William Hudson (301) 652-5674
7315 Wisconsin Avenue, Suite 1200N
Bethesda, MD 20814

With it's origin going back to 1891, the IARW was organized to advance the interests and welfare of the refrigerated warehousing business, improving industry standards and promoting a better understanding within the food industry and the general public of its functions. IARW's membership represents 85 percent of the public refrigerated warehousing industry with over 760 member warehouses in the U.S. and 30 other countries.
PR CONTACT: J. William Hudson

International Bottled Water Association (DWRF)

Mr. William F. Deal (703) 683-5213
113 N. Henry Street
Alexandria, VA 22314

The Drinking Water Research Foundation is a non-profit educational division of the IBWA. Members of the foundation are companies and individuals who are interested in the future problems of the nation's drinking water and alternative solutions to those problems. Funds of the Foundation are used to do research, provide programs, and other areas of interest in the drinking water arena.
PR CONTACT: William F. Deal or Gordon Wells

Building Service Contractors Association International

Mr. Thomas Monday (703) 359-7090
10201 Lee Highway, Suite 225
Fairfax, VA 22030

The BSCA is an association of companies involved in the contracting of janitorial services and virtually every other type of building service. There are over 1,400 member firms from all over the U.S. and around the world. However, the membership is predominantly U.S. members, most of which are small businesses. In addition to janitorial services, BSCA members also provide window cleaning, security, carpet cleaning, maid and residential cleaning services, floor maintenance, fire restoration, odor control, pest control, pool maintenance, garbage collection, and various other related services.
PR CONTACT: Carol A. Dean

Business Advertising Council

Mr. John K. Lamb (513) 321-7990
P.O. Box 8299
Hyde Park Square
Cincinnati, OH 45208

BAC serves those businesses which provide, maintain, or use signage which advertises the goods or services available on the premises of the advertiser (as differentiated from off-premise or highway billboard advertising). The Council serves those who design, build, install and service retail merchants' advertising signs, as well as those businesses which rely on such sign advertising for the success of their business. Our efforts include educational activity with city planners, legislators and their staffs, for the purpose of opposing well-intentioned but often unwarranted regulations which would deprive retail merchants and others of the necessary communication which they must have with the public for the support and survival of their business.
PR CONTACT: John K. Lamb

Christian Booksellers Association

Mr. William R. Anderson (303) 576-7880
P. O. Box 200
Colorado Springs, CO 80901

CBA was founded in 1950. 3,400 retail Christian bookstores and 675 publishers and suppliers are members of CBA. The membership is located in all 50 states plus 40 countries. CBA also has chapters in 9 nations of the world. CBA's International Convention ranks in the top 1 1/2% of the 8,000 trade shows in the U.S. Last year the industry accounted for 1.4 billion dollars in sales at the retail level, offering books, bibles, video, compact discs, tapes, cards, gifts, jewelry, and church supplies.
PR CONTACT: Astrid Seeburg, 350 Maple Avenue, Oradell, NJ (201) 265-8938

Electronic Representatives Association

Mr. Raymond J. Hall (312) 649-1333
20 East Huron Street, 4th Floor
Chicago, IL 60611

ERA, founded in 1935, is a trade organization of professional sales and marketing companies which represent recognized manufacturers of electronic components and products of all types. The Association currently has a membership of 2,200 firms employing more than 10,000 salespeople who sell an estimated $17 billion worth of electronic products each year. The Association provides its members with educational programs and conferences designed to keep them abreast of technological advances within the electronics industry. ERA members belong to one or more of 28 local chapters located in strategic geographic areas throughout the U.S. In addition, it counts members in Mexico, Canada, Japan, South America, Israel, Switzerland, Germany and the Caribbean.
PR CONTACT: Janet L. Hipp

Florists' Transworld Delivery Association

Mr. William A. Maas (313) 355-9300
29200 Northwestern Highway
Southfield, MI 48037

The florist delivery cooperative was founded in 1910, and today includes more than 24,000 independent florists throughout North America. The association's sales during the 1986-87 fiscal year totaled more than $626 million. Florists of FTD delivered over 22 million orders during the 12-month period. Besides providing consumers with a way to send floral gifts virtually anywhere, FTD Members assist themselves with a host of services, including quality control, advertising, merchandising, research, business training, planning, and government relations. Outside North America, FTD is part of Interflora, Inc., a worldwide flowers-by-wire organization which now includes 55,700 florists in 135 countries. FTD's 400-person headquarters staff is based in Southfield, MI.
PR CONTACT: Judy Yovanovich

Helicopter Association International

Mr. Frank L. Jensen, Jr. (703) 683-4646
1619 Duke Street
Alexandria, VA 22314

HAI is the trade association for civil helicopter industry. Started in 1948 as the Helicopter Council, then California Helicopter Association, then Helicopter Association of America, and now as HAI, the association is the product of many farsighted people and is responsive to the changing demands of the civil helicopter industry–becoming in 1981 an international forum for enhancing safety and mutual cooperation for civil helicopter operators. At present, more than 1,046 organizations in 41 countries comprise HAI's membership–representing the commercial, corporate, and public service sectors of the industry.
PR CONTACT: Daniel P. Warsley or Frank L. Jensen, Jr.

Hobby Industries of America

Mr. Fred Polk (201) 794-1133
P.O. Box 348
Elmwood Park, NJ 07407

A national trade association structured vertically with over 2,000 member manufacturers, publishers, wholesalers and retailers serving the model and craft industry.
PR CONTACT: Fred Polk

Independent Bakers Association

Mr. Robert N. Pyle (202) 333-8190
P.O. Box 3731
Washington, DC 20007

The IBA is a national trade association comprised of over 300 members, many of whom are small and medium size independent family owned bakeries. Collectively, we produce over one half of the country's wholesale baked goods. Our group also includes many companies in the allied trades of the baking industry who share common interests and policies. Our purpose is to enable our members to meet and discuss their ideas, experiences and problems, and then to promote their interests in Congress and many federal agencies.
PR CONTACT: Robert N. Pyle

Independent Bankers Association of America

Mr. Kenneth A. Guenther (202) 659-8111
1 Thomas Circle, Suite 950
Washington, DC 20005

The IBAA is an organization of small and medium-sized banks, locally owned and operated and dedicated to meeting the financial needs of their communities. Its membership includes approximately half of the commercial banks in the U.S. IBAA and its members believe these banks are better able to service their communities than institutions that are members of multibank systems which follow policies that are not set locally and thus may not meet local needs.
PR CONTACT: Virginia Dean

Independent Insurance Agents of America, Inc.

Mr. Paul A. Equale (202) 544-5833
600 Pennsylvania Ave., S.E. Suite 200
Washington, DC 20003

IIAA is the nation's largest independent insurance producers association representing more than 220,000 independent insurance agents and their employees. It's members offer all lines of insurance--property, casualty, life and health. IIAA is composed of 50 autonomous state associations.
PR CONTACT: Becky Newman (202) 544-5833 or Paul Equale

Themes/Points for Small Business Legislative Council

Competitiveness —

Context: return from Asia, (Japan)

Points: 1. Competitiveness requires investment; our program fosters investment.

- o captial gains tax reduction
- o R&D tax credit made permanent
- o education
- o drugs?
  --merit schools, fostering improvement
- o VP Council on Competitiveness (assess regulation)

2. Flexibility in the Marketplace/Capacity to Redeploy Resources

- o No mandated parental leave
- o No mandated health insurance plan
- o Provide for a training minimum wage at the current level along with a gradual increase in the existing minimum wage.
- o Promote wide alternatives for child care solutions through a system of tax credits for lowincome parents; avoid federal standards and regulation. Examine insurance barriers for businesses interested in setting up child care facilities.

Ed & Yr.

THE WHITE HOUSE
WASHINGTON

February 21, 1989
KBK

MEMORANDUM

TO: David Demarest

FROM: JOSEPH W. HAGIN

SUBJECT: APPROVED PRESIDENTIAL ACTIVITY

EVENT: Address the Small Business Legislative Council

DATE: March 1, 1989

TIME: 2:30 p.m.

DURATION: 20 Minutes

LOCATION: East Room

ATTIRE: Business Suit

REMARKS REQUIRED: Yes

MEDIA COVERAGE: Open

FIRST LADY PARTICIPATION: No

ADDITIONAL INFORMATION:

cc + backup to speechwriters

CONTACT: _____, _____

TELEPHONE: **OFFICE** _____ **HOME** _____

NOTE: **PROJECT OFFICER, SEE ATTACHED CHECKLIST**

Ed Rogers	Marlin Fitzwater	David Bates
James Cicconi	David Demarest	David Valdez
Fred McClure	Jean Lamb	USSS - PPD
Susan Porter Rose	Steve Studdert	Operations - Executive Residence
Patty Presock	John Keller	WHCA Audio/Visual
Speechwriting Office	Tim McBride	WHCA Operations
Laurie Firestone	J. Bonnie Newman	
Robert Guttman	Tony Lopez	

1652

Scheduling
3-1-89
open 2/27 - 3/3

Small Business Legislative Council®

January 20, 1989

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

I want to thank you for inviting me to visit with you on January 6th. I found the session to be informative and encouraging. I know you can count on our organization to support your efforts, and I hope we can continue the dialogue.

I would like to invite you to address a larger group of the SBLC membership. During the week of February 27 - March 3, 1989, we will have approximately 150 small business leaders and association executives in town for our annual meeting. I believe it would present an ideal opportunity for you to share your views with the leadership of 93 associations which reach nearly four million businesses. The attendees are primarily CEO's of businesses and our member associations, an influential group.

We are flexible in our arrangements and dates, and would be prepared to bring the group to the White House or Old Executive Office Building briefing room. The event could also provide an opportunity for your chief economic and small business advisors to discuss matters of mutual concern. The ideal date for us would be Wednesday, March 1, 1989.

The Small Business Legislative Council (SBLC) is a permanent, independent coalition of over ninety trade and professional associations that share a common commitment to the future of small business. Our members represent the interests of over four million small businesses in manufacturing, retailing, distribution, professional and technical services, construction, transportation and agriculture. A list of our members is attached.

1025 Vermont Avenue, N.W./Suite 1201/Washington, D.C. 20005/(202) 639-8500

Again, I want to thank you for your invitation to us and to pledge our support to you.

Sincerely,

John S. Satagaj
President

JSS/s0007.cab
Enclosure



Members of the Small Business Legislative Council

Air Conditioning Contractors of America
Alliance of Independent Store Owners and Professionals
American Association of Nurserymen
American Collectors Association, Inc.
American Consulting Engineers Council
American Council of Independent Laboratories
American Dental Trade Association
American Floorcovering Association
American Machine Tool Distributors Association
American Road Transportation Builders Association
American Society of Travel Agents, Inc.
American Sod Producers Association
American Subcontractors Association
American Textile Machinery Association
American Trucking Associations, Inc.
American Warehousemen's Association
Architectural Precast Association
Associated Builders & Contractors
Associated Landscape Contractors of America
Association of Physical Fitness Centers
Association of Small Business Development Centers
Association of the Wall and Ceiling Industries-International
Automotive Service Association
Building Service Contractors Association International
Business Advertising Council
Christian Booksellers Association
Electronic Representatives Association
Florists' Transworld Delivery Association
Helicopter Association International
Hobby Industries of America
Independent Bakers Association
Independent Bankers Association of America
Independent Medical Distributors Association
Independent Sewing Machine Dealers Association
International Association of Refrigerated Warehouses
International Bottled Water Association
International Communications Industries Association
International Fence Industry Association
International Franchise Association
Latin American Manufacturers Association
Machinery Dealers National Association
Manufacturers Agents National Association
Mechanical Contractors Association of America, Inc.
Menswear Retailers of America
National Association for the Self-Employed
National Association of Brick Distributors
National Association of Catalog Showroom Merchandisers
National Association of Chemical Distributors
National Association of Development Companies
National Association of Home Builders
National Association of Investment Companies
National Association of Manufacturing Opticians
National Association of Personnel Consultants
National Association of Plumbing-Heating-Cooling Contractors
National Association of Realtors
National Association of Retail Druggists
National Association of Small Business Investment Companies
National Association of the Remodeling Industry
National Association of Truck Stop Operators
National Association of Women Business Owners
National Candy Wholesalers Association
National Campground Owners Association
National Chimney Sweep Guild
National Coffee Service Association
National Council for Industrial Innovation
National Electrical Contractors Association
National Fastener Distributors Association
National Grocers Association
National Independent Dairy-Foods Association
National Lumber & Building Material Dealers Association
National Machine Tool Builers' Association
National Moving and Storage Association
National Office Products Association
National Paperbox & Packaging Association
National Parking Association
Professional Plant Growers Association
National Precast Concrete Association
National Shoe Retailers Association
National Society of Public Accountants
National Tire Dealers & Retreaders Association
National Tooling and Machining Association
National Tour Association
National Venture Capital Association
Opticians Association of America
Petroleum Marketers Association of America
Printing Industries of America, Inc.
Professional Plant Growers Association
Retail Bakers of America
Small Business Council of America, Inc.
Smaller Manufacturers Council
Society of American Florists
Specialty Advertising Association International
The National Association of Passenger Vessel Owners
United Bus Owners of America

1025 Vermont Avenue, N.W., Suite 1201, Washington, DC 20005
PHONE NO.: (202) 639-8500 / FAX NO.: (202) 347-4777

☐ APPOINTMENT

☒ SCHEDULE

THE WHITE HOUSE

WASHINGTON

Jeff

RESPONSE DUE DATE: February 8, 1989

REQUEST FOR SCHEDULING RECOMMENDATION

MEMORANDUM FOR:

____	GOVERNOR SUNUNU	____	JAMES CICCONI
_X_	ANDREW CARD, JR.	_X_	DAVID DEMAREST ✓
____	ROGER PORTER	____	MARLIN FITZWATER
____	STEPHEN STUDDERT	_X_	FREDERICK MCCLURE
_X_	RICHARD BREEDEN	____	J. BONNIE NEWMAN
____	DAVID BATES	____	BRENT SCOWCROFT
____	CHASE UNTERMEYER	____	C. BOYDEN GRAY
____	_____	____	_____

FROM: JOSEPH W. HAGIN II
PRESIDENTIAL APPOINTMENTS AND SCHEDULING

Please provide your recommendation on the following scheduling request:

EVENT: Address the Small Business Legislative Council

DATE: February 27 - March 3rd, 1989

LOCATION: TBD, in Washington, D.C.

Additional information concerning this event is attached.

YOUR RECOMMENDATION:

Accept _✓_ **Regret**____ **Surrogate** **Message**

Priority_____ **Video**____

Routine_____ **Written**___

If your recommendation is to accept, please cite reasons below:

Strongly recommend. This group represents over 4 million small businessmen and 90 trade associations. They are strong advocates for reduction in capital gains tax rates, deficit reduction with no tax increases and represent all segments of industry. Great advocates in the fights ahead.

PLEASE RETURN TO WINDY WHITE, ROOM 182, OEOB, BY THE RESPONSE DUE DATE ABOVE SO THAT YOUR COMMENTS MAY BE CONSIDERED AS WE PROCEED WITH THIS REQUEST. THANK YOU

☐ APPOINTMENT

☒ SCHEDULE

THE WHITE HOUSE

WASHINGTON

RESPONSE DUE DATE: February 8, 1989

REQUEST FOR SCHEDULING RECOMMENDATION

MEMORANDUM FOR:

____	GOVERNOR SUNUNU	____	JAMES CICCONI
_X_	ANDREW CARD, JR. ✓	_X_	DAVID DEMAREST
____	ROGER PORTER	____	MARLIN FITZWATER
____	STEPHEN STUDDERT	_X_	FREDERICK MCCLURE
_X_	RICHARD BREEDEN	____	J. BONNIE NEWMAN
____	DAVID BATES	____	BRENT SCOWCROFT
____	CHASE UNTERMEYER	____	C. BOYDEN GRAY
____	_____	____	_____

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Additional information concerning this event is attached.

YOUR RECOMMENDATION:

Accept_____ Regret_X_

Surrogate
Priority_____
Routine_____

Message
Video_____
Written___

If your recommendation is to accept, please cite reasons below:

PLEASE RETURN TO WINDY WHITE, ROOM 182, OEOB, BY THE RESPONSE DUE DATE ABOVE SO THAT YOUR COMMENTS MAY BE CONSIDERED AS WE PROCEED WITH THIS REQUEST. THANK YOU

☐ APPOINTMENT

☒ SCHEDULE

THE WHITE HOUSE

WASHINGTON

RESPONSE DUE DATE: February 8, 1989

REQUEST FOR SCHEDULING RECOMMENDATION

MEMORANDUM FOR:

____	GOVERNOR SUNUNU	____	JAMES CICCONI
_X_	ANDREW CARD, JR.	_X_	DAVID DEMAREST
____	ROGER PORTER	____	MARLIN FITZWATER
____	STEPHEN STUDDERT	_X_	FREDERICK MCCLURE ✓
_X_	RICHARD BREEDEN	____	J. BONNIE NEWMAN
____	DAVID BATES	____	BRENT SCOWCROFT
____	CHASE UNTERMEYER	____	C. BOYDEN GRAY
____	_____	____	_____

FROM: JOSEPH W. HAGIN II
PRESIDENTIAL APPOINTMENTS AND SCHEDULING

Please provide your recommendation on the following scheduling request:

EVENT: Address the Small Business Legislative Council

DATE: February 27 - March 3rd, 1989

LOCATION: TBD, in Washington, D.C.

Additional information concerning this event is attached.

YOUR RECOMMENDATION:

Accept ✓ **Regret**____

Surrogate **Message**
Priority____ **Video**____
Routine____ **Written**____

If your recommendation is to accept, please cite reasons below:

May be good time to sell budget.

JM

PLEASE RETURN TO WINDY WHITE, ROOM 182, OEOB, BY THE RESPONSE DUE DATE ABOVE SO THAT YOUR COMMENTS MAY BE CONSIDERED AS WE PROCEED WITH THIS REQUEST. THANK YOU

☐ APPOINTMENT

☒ SCHEDULE

LRSM #28
2/9/89
a X r

THE WHITE HOUSE

WASHINGTON

RESPONSE DUE DATE: February 8, 1989

REQUEST FOR SCHEDULING RECOMMENDATION

MEMORANDUM FOR:

____	GOVERNOR SUNUNU	____	JAMES CICCONI
_X_	ANDREW CARD, JR.	_X_	DAVID DEMAREST
____	ROGER PORTER	____	MARLIN FITZWATER
____	STEPHEN STUDDERT	_X_	FREDERICK MCCLURE
_X_	RICHARD BREEDEN	____	J. BONNIE NEWMAN
____	DAVID BATES	____	BRENT SCOWCROFT
____	CHASE UNTERMEYER	____	C. BOYDEN GRAY
____	_____	____	_____

FROM: JOSEPH W. HAGIN II
PRESIDENTIAL APPOINTMENTS AND SCHEDULING

Please provide your recommendation on the following scheduling request:

EVENT: Address the Small Business Legislative Council

DATE: February 27 - March 3rd, 1989

LOCATION: TBD, in Washington, D.C.

Additional information concerning this event is attached.

YOUR RECOMMENDATION:

Accept_____ Regret_____ Surrogate Priority_____ Routine_____ Message Video_____ Written___

If your recommendation is to accept, please cite reasons below:

Thurs. 2:30 pm. Gen

PLEASE RETURN TO WINDY WHITE, ROOM 182, OEOB, BY THE RESPONSE DUE DATE ABOVE SO THAT YOUR COMMENTS MAY BE CONSIDERED AS WE PROCEED WITH THIS REQUEST. THANK YOU

Small Bus. Admin.* defines firm of ≤ 500 as "small bus."
*(in 50 pts. of Fed. Regs.)

∃ 13 million businesses in U.S.
~ 7000 have 500+ people

∴ ~3 out of 5

80% figure ignores small businesses that fold.

EK – [redacted] – Full comparisons Jerry Mark 523-9294
Art Neff
523-9291
our overall level of productivity

[redacted]

PROPOSED CHANGE

(In millions of dollars)

	1989	1990	Dollar Change	Percent Change
Budget Authority	655	1,497	+842	+129
Outlays	672	1,587	+915	+136

statistics to provide accurate detailed data upon which to base trade policy and business decisions.

- Demographic surveys across government will be improved by the redesign of individual surveys reflecting decennial census results.

FUNDING SUMMARY

(In millions of dollars)

	1989	1990	1991	1992	1993
Budget Authority	655	1,497	432	279	275
Outlays	672	1,587	411	317	265

k. Promoting International Competitiveness

OVERVIEW

Maintaining and improving the Nation's competitiveness is primarily a task of private industry—driven by market forces. But government policies play an important role, in both the negative and positive sense. Barriers erected by government—regulatory and otherwise—can frustrate innovation and the translation of technological and scientific discoveries into marketplace production and distribution. Government—Federal, State and local—is a major player in the development of our human resources, including education and training.

Americans have become acutely conscious of the issue of competitiveness since the development in the decade of the 1980's of large foreign trade deficits. While the strong showing of exports in 1988 indicated that much of American industry is able to compete well in world markets provided it is not hampered by an unrealistically high exchange rate for the dollar, much remains to be done to reduce and then eliminate the trade deficit.

The Federal government has a continuing challenge in assuring that this nation remains fully competitive in a world environment where exchanges among nations are growing rapidly.

PRINCIPLES

To maintain and improve competitiveness several principles are important:

- There must be the fullest development of the Nation's human resources.
- Scientific and technological progress must be promoted.

- Barriers to innovation must be removed.
- Government regulations must continue to be assessed for their costs as well as their benefits.

POLICIES

The President will establish a Council on Competitiveness, chaired by the Vice-President. The Council will include the members of the cabinet most involved with competitiveness issues and problems.

The Council will review regulatory issues, and such other issues as may be referred by the President, bearing on competitiveness. In reviewing regulatory matters, the Council will be continuing the work of the former President's Task Force on Regulatory Relief—chaired in the Reagan Administration by then-Vice President Bush.

l. Improving Opportunities for Disabled Americans

OVERVIEW

There are approximately 36 million disabled Americans. Dozens of Federal Government programs provide benefits and services to this community.

All of these programs address important needs, but sometimes they fail to encourage independence, operate at cross purposes, miss some people, or operate less effectively than they should.

The billions spent annually by the Federal Government for those programs demonstrate the high Federal priority on aiding the disabled community. Greater effort is needed to coordinate these programs, to assure that all sectors of the population are properly served, and to help the disabled realize their full potential.

> *"I share your goal of integrating disabled Americans fully and equally into the mainstream of American life. . . . We are working to increase the economic and personal independence of disabled Americans."*
>
> George Bush

PRINCIPLES

- Federal programs for disabled persons should promote self-sufficiency and reduce barriers to employment; they should not perpetuate dependency.
- Federal policy for disabled persons can be improved through coordination and identification of programs that work.

POLICIES

The President will establish a policy working group of senior Administration officials who have responsibility for providing assistance to the disabled.

Membership of this group will include representatives from the Executive Office of the President, the Education Department, the Department of Health and Human Services, the Department of Veterans Affairs, and others.

Council:

- will be an intergovernmental entity
- will pick up where the Regulatory Task Force left off; broader than simply dealing w/regulations; policies to make America more competitive

—Dave Juday
OVP
x2127

rite or call:

Council
V., Suite 1201

"SBLC has helped NTMA in many ways. It provides an accessible and sympathetic forum to build coalitions around our most important legislative issues."

– National Tooling and Machining Association

SBLC: Organization, Structure and Operation

SBLC is governed by its members associations. Each member has full voting rights in the selection of chairman, officers and board of directors. Permanent Committees on Issues are established to develop policy and monitor Council activities in those areas. SBLC's Board of Directors meets regularly to oversee the Council's day-to-day affairs.

Each Council member has the right to propose new policies for consideration and to appear before SBLC Committees to discuss their proposals. Policy proposals are reviewed by the Issues Committees and submitted to the Board of Directors for initial approval.

Finally, new policy is submitted to the entire membership for approval. The independence and autonomy of each member is fully respected.

SBLC: Membership Eligibility

SBLC membership is open to associations whose members are predominantly small businesses or independent professionals, providing that at least 70% of the association's income is derived from small businesses or professionals who are independently operated and not dominant in their field.

SBLC: Membership Dues

SBLC dues are based upon eight-tenths of one percent (8/10 of 1%) of the association's dues income during the past fiscal year. Minimum dues are $300, and maximum dues are $1,500. Membership is based upon the calendar year, and dues are payable at the beginning of each year.

SBLC: A Valuable Tool for the Small Business Association

Regardless of size or location, every participating member can use SBLC as an extension of its own capabilities and staff. The information, access and opportunity which SBLC provides can easily be used to dramatically increase an association's Washington profile. SBLC's strength lies in the sharing of combined expertise and resources by like-minded groups with common goals.

"SBLC provides timely updates and analysis from a small business perspective on other issues we need to follow but lack the staff resources to pursue."

– National Moving and Storage Association

A Single Powerful Voice

SMALL BUSINESS LEGISLATIVE COUNCIL

SBLC: A Unified Force For Small Business

The Small Business Legislative Council (SBLC) is an independent, permanent coalition of trade and professional associations who share a common concern for the future of small business. The purpose of SBLC is twofold: to consolidate the strength and maximize the influence of small business on legislative and Federal policy issues of importance to the entire small business community; and secondly, to disseminate information on the impact of public policy on small business.

Since its creation in 1976, SBLC has grown dramatically to represent nearly every sector of our economy including manufacturing, retailing, distribution, professional and technical services, agriculture, and construction. SBLC has become a unified force that is respected throughout the government. The Council's views are sought and its opinions are valued by those in government who must decide how the laws of this nation are enacted and enforced.

"The SBLC . . . helping to resolve small business issues with major solutions . . . turning the problems affecting small businesses into opportunities for growth and development."

— United Bus Owners of America

SBLC: Working For Associations Representing Small Businesses

"We're an association of a lot of small businesses. SBLC's targeted educational materials- articles, videotapes, position papers, how to cope with new regulations to name a few are a major reason why we belong. It's extremely accurate, useful and timely information that expands our associations member services without expanding staff or making a major dent in our budget process. SBLC dues are one of the best investments we make."

— Specialty Advertising Association International

SBLC delivers the key elements which every small business association needs to conduct a successful government affairs program: information, access, and opportunity.

Council members receive timely reports and concise news bulletins to keep them informed of recent developments in areas of SBLC interest. SBLC also sponsors seminars and conferences on important matters.

SBLC is more than just a conduit for information, it is an activist organization. Through its contacts in government the Council provides members with direct access to decision makers who shape the policies which affect small business. SBLC arranges meetings with Senators, Representatives, key members of the White House staff or policy making officers of Federal agencies. SBLC opens doors which would otherwise be closed to all but a chosen few.

SBLC uses its contacts to create opportunities for presenting the small business point of view before Congress. In addition to providing testimony before Congressional Committees SBLC conducts special briefings on small business issues for selected groups of Members of Congress, Senators and their staff.

Unlike ad hoc coalitions formed to fight "brushfire" battles as they occur, SBLC is a permanent organization with a proven track record of accomplishment.

SBLC has learned how to transfer respect and credibility from old issues to new issues. The Council's reputation in Washington proves that success breeds success.

SBLC: Dedicated to the Interests of Small Business

Because SBLC is concerned with the small business community as a whole, the issues on which the Council acts are those which affect all small business.

These matters include taxes, liability insurance, budget, antitrust enforcement, employment issues, government procurement, environment, establishment of a small business voice in Washington, venture capital and other small business financing mechanisms . . .

This list is potentially endless, and it is being expanded constantly as SBLC members discover that many of the problems of their members are shared in common by smaller businesses in other industries. Any issue which is important to small business in general is important to SBLC. Since SBLC focuses on issues of common concern to the small business community, the Council quite properly leaves to the individual member the handling of its own particular problems in Washington.

Application for Membership

Organization Name _____

Address _____

City _____ State _____ Zip _____

Name of Chief Staff Executive _____ Title _____

Do you qualify for membership in the SBLC? Yes ☐ No ☐ (Association are eligible for full membership in the Small Business Legislative Counci provided that the association represents small businesses or independer

Economies more advanced. Capital & Bonds in seconds. Merchandise from abroad. Competitiveness depends on productivity; ~~the quality of~~ our highly-skilled, educated, motivated work force. An educated elite is not enough. (Illiterate but the literate)

~~Wealth of a firm~~ A firm's of our industrial productivity is an expression of the skills we produce completely on a whole life basis,

Competitive advantage demands collective will.

WHAT DO WE MEAN BY INVESTMENT? careful, coherent investment in our own future.

In business, (oil days?), your mind is often on the risk ~~of investing.~~ involved. But here, the biggest risk is to not get involved.

RISK

the disabled, disadv → you will need these people.

This is one of the smartest investments we can make

Often, doesn't necessarily knock on the door, it may be leaning against the wall or standing on the sidelines, waiting to be noticed.

export-driven manufacturing renaissance.

~~and that they will turn~~

You know what the problems are.

CEO survey (Wetherby, W.T. 3/3/88)

Last year, a survey of 609 CEOs showed Am. Bus. Leaders inherently optimistic -- but aware that we have new work to do. 90% said Am. Bus. still too "short term oriented."

we know ∄ no shortcuts to lasting competitiveness. // Many planning ideas...

A CEO, a President;

manager who knows how motivate, train, re-train, retain --

manager who knows

// How to create a competitive edge through people

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR ROGER PORTER

FROM: LARRY LINDSEY x6402

SUBJECT: Background on Japanese Tax Reform

JAPANESE TAX POLICY HAS TRADITIONALLY FAVORED SAVING AND INVESTMENT.

- A four person family could set aside as much as $450,000 in tax free saving accounts.
- There was no capital gains tax.
- Dividends were subject to a maximum tax rate of 35 percent and most taxpayers received a tax credit equal to 10 percent of dividends received.
- Corporations had the option of setting up tax free reserves to cover such items as employee bonuses, retirement, and product guarantees. This had the effect of sharply lowering reported profits.

JAPAN IS IN THE PROCESS OF SLIGHTLY REDUCING THESE INCENTIVES WHILE CUTTING THEIR TAX RATE ON ORDINARY INCOME.

- A four person will pay no tax on income up to 3.2 million yen ($25,600). The average annual wage income in Japan is 4 million yen. So, typically 80 percent of income will be exempt from tax.
- The top tax rate will be reduced from 70 percent to 50 percent. This is largely a response to our sharp tax rate reductions and a fear that middle and upper management may choose to locate abroad.
- All interest income will be taxed at a flat 20 percent rate.
- Capital gains will be taxed at either 20 percent or at 1 percent of the value of the transaction. This latter option protects venture capitalists and those who have held their assets a long time.
- A Value Added Tax of 3 percent will be imposed. This is done mainly to catch tax evasion by small business and farmers. There is a saying that Japan as a 9-6-4 tax system. Nine out of every ten dollars of wage income are subject to tax but only 6 dollars of small business income and 4 dollars of farm income.

— said that the majority of Japanese found to be cheating on their taxes

WHAT THIS MEANS TO AMERICA

- The pro-saving advantage of the Japanese tax system will be reduced. This will make them relatively less competitive at raising capital, although they still will have an advantage over us.

- The Japanese are worried about our lower tax rates on high incomes and fear that they may suffer a "brain drain" as a result.

- To compete effectively, we should continue to keep our top income tax rate as low as possible. We should also begin to adopt some of the pro-saving approaches of the Japanese system.

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