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September 13, 1992, Sunday, Final Edition

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HEADLINE: Looking To Lighten A Load;
Clinton Sounds a Lot Like Bush on Most Key Issues Facing Small Business

SERIES: Occasional

BYLINE: Frank Swoboda, Washington Post Staff Writer

BODY:

Standing in front of Goolrick's Pharmacy during a recent campaign swing through Fredericksburg, Va., President Bush told a crowd of supporters that few issues divided him and Democratic presidential nominee Bill Clinton quite like their approaches to small business.

"Our differences couldn't be sharper," Bush told the audience gathered outside the 123-year-old pharmacy. "I see small business as the backbone of the American economy. He sees a golden-egg-laying goose that ought to pay more in taxes."

But as the candidates began to offer more specifics of their programs last week, they spelled out remarkably similar policies to support a segment of the business community that has been one of the few areas to provide job growth in recent years.

In many ways, Clinton's policies toward small business tend to underscore the differences between him and many congressional Democrats more than between him and Bush. Emerging Clinton economic policies reflect his years as the governor of a small Southern state and his chairmanship of the Democratic Leadership Council, long viewed as the anchor of the conservative wing of the party.

Even in the highly charged area of health care, where the two men clash over their fundamental philosophies on the issue of mandatory insurance for all workers, the Clinton and Bush programs being considered could have come out of the same policy shop. And there are remarkable similarities between the two on a whole range of small business issues, from tax policy to the need to reduce the burden of federal regulations.

Both favor reducing the capital gains tax, restoring the investment tax credit and giving the president a line item veto over the congressional budget. Generally speaking, both favor a minimalist role for government in defining the relationship between small business employers and their employees.

"They aren't really that far apart," said David Voight, director of the U.S. Chamber of Commerce's small business center, a fact that Voight said doesn't come as much of a surprise considering Clinton's background as a Southern Democrat. "Where there are differences, I suspect they're basically party differences," rather than differences in personal philosophy, he said.

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An example of a party position is Clinton's early support for legislation to ban companies from permanently replacing striking workers. Although he comes from a right-to-work state, support of the striker replacement bill was seen as necessary to help ease the concerns of organized labor about what they considered his conservative economic views flowing from his involvement in the Democratic Leadership Council.

Another is his support for legislation passed by Congress last week requiring businesses to provide unpaid leave for parents who need to take time off for the birth of a child or medical emergencies. But the bill exempts employers with fewer than 50 employees, an exclusion that would leave 95 percent of all businesses uncovered.

The policy similarities of the two candidates are perhaps best underscored by the National Federation of Independent Business (NFIB), the Washington-based trade association representing primarily small businesses with fewer than 10 employees. A chart in the federation's magazine, giving a rundown on issues of most concern to NFIB members, shows the two candidates in basic agreement on a majority of issues on the list.

The notable exceptions are health insurance, striker replacement and parental leave. Clinton also diverges from Bush by opposing a business-backed bill to place a ceiling on the damages that can be awarded to plaintiffs who accuse businesses of violating their civil rights or injuring them through defects in their products.

Clinton's Market Reliance

Health care may best illustrate Clinton's differences with his own party, particularly his party in Congress.

Bush, who opposes requiring employers to provide health insurance coverage, has proposed creating regional "health insurance networks" that would write umbrella policies for groups of small businesses. Bush spokesmen say this would enable small operators to get the same cost benefits as the large group policies available to bigger businesses.

Most of the nearly 35 million to 40 million people without health care are in families where workers are employed by small businesses.

The Republican plan would require state governments to develop packages of basic benefits that would guarantee that similar businesses, buying similar insurance policies, pay comparable premiums. "No longer will small employers find that one sick employee or one employee with a sick child can make insurance unaffordable," the Bush campaign said in a background paper on its health-care-reform plan.

To give the insurance industry an incentive to go along with the proposal, Bush would exempt insurance sold through the health networks from what his campaign refers to as "costly state-imposed mandates and excessive state premium taxes."

The Clinton plan now under consideration is almost identical, with one key difference. The Arkansas governor would require that every business, regardless of size, provide health insurance coverage for its employees. It would keep

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the employer as the major provider of health insurance and would do so by preserving the nation's private health insurance system, according to campaign officials.

Unlike the so-called "pay or play" health insurance program proposed by Democratic leaders in Congress, the Clinton plan appears to represent a much more traditional, even Republican-style, free-enterprise approach to the health insurance issue.

Like Bush, Clinton would rely on what a campaign aide calls "small business marketing reform," allowing smaller operators to form insurance pools set up under state charters. Insurance companies would not be allowed to raise premiums or cancel policies if an employee or an employee's dependent had a major illness.

Unlike the Democratic congressional plan, Clinton's proposal would not involve a payroll tax or a new federal government apparatus to administer the health care plan. "We're sticking with the private-public partnership," said a Clinton campaign official. "We have no payroll tax."

"We don't want to create a massive new public bureaucracy," said a Clinton campaign official. "We want to maintain the private system. The majority of the uninsured are people who work. We want to provide [health insurance] assistance in such a way that jobs and businesses are not put at risk."

Clinton also is counting a major cost-containment effort to cap medical costs and the elimination of waste and inefficiencies as part of his plan.

Both Bush and Clinton would provide a 100 percent health insurance premium reduction for sole proprietor businesses, partnerships and so-called S corporations, which are set up by proprietors with 10 or fewer shareholders. And both favor preempting state laws that require insurance companies to cover specific health care services.

Although the business community in general rejects the idea of any kind of government-mandated benefits, the Chamber of Commerce's Voight said he believes that "the small business community may be more receptive to a fairly radical change in the [health insurance] system. It may be more willing to take a risk in the direction of a mandated system."

Capital Gains Cuts The free-enterprise approach of the two candidates is not restricted to the health insurance issue, as their support of cuts in the capital gains tax for business suggests. Such a cut has been repeatedly rejected by a majority of congressional Democrats. The Clinton plan is substantially different from the Bush proposal in that it would restrict the cuts to new business investments, but it does recognize the tax cut as a factor in creating jobs.

Bush and Clinton both support restoration of the investment tax credit and a proposal to reduce Social Security taxes for troubled businesses and their employees.

"The philosophy of Governor Clinton has made it very clear his economic plan is devoted to job creation and he's not going to take actions to undermine the ability of small businesses to create jobs," said a campaign aide.

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As an example, the aide pointed to the fact that Clinton would exempt any business with fewer than 50 employees from his proposal to impose a 1.5 percent surcharge on businesses that do not provide training programs for their employees.

Bush, in a speech last week to the Detroit Economic Club outlining his economic program, preached much the same message. "Small business is the backbone of a growing economy," the president said.

Small businesses account for more than 99 percent of all businesses in the United States, according to the Small Business Administration (SBA). But that number is deceiving. Of the nation's approximately 20 million businesses, only 6.2 million have more than one employee. The rest are sole proprietorships in which the owner is the only employee, such as the computer consultant working at home or the one-person bicycle repair shop.

From 1988 through 1990, according to the SBA, businesses with fewer than 20 employees created more than 4 million jobs, the entire net increase in the nation's job growth for that period in the private, nonfarm sector. From 1984 to 1988, the SBA estimates, all small businesses -- those with fewer than 500 employees -- accounted for 5.4 million of 11.1 million net new jobs created. Of those, 3.1 million net new jobs were created by businesses with fewer than 20 employees.

Behind those numbers is a remarkable volatility, according to Julie Weeks, deputy chief counsel for statistics and research at the SBA. The birth and death rates of small businesses show almost as many small businesses failing as being born. As a general rule, Weeks said, for every four new jobs created, three are lost in the small business community.

Weeks said that despite the disproportionate gain in net jobs by the smallest businesses in the last few years, there was nothing extraordinary in the pattern of small business births and deaths during that period. She said the change occurred largely because of the net loss of jobs in all other segments of the business community.

But a new survey commissioned by Arthur Andersen & Co., the accounting firm, and National Small Business United, a Washington-based small business advocacy group, indicates that the stagnant economy may now be catching up with small businesses. The survey estimates that there will be no net growth in employment in 1991-92 as small operators wait for an improvement in the economy.

"I think the outlook is cautious," said H. Rick Fumo, managing director of Arthur Andersen's Enterprise Group. "These are people who tend to be very optimistic. Right now, they are very cautious."

GRAPHIC: CHART, BENEFITS AND SMALL BUSINESS (DATA FROM CHART WAS UNAVAILABLE.), JOHN ANDERSON; ILLUSTRATION, RANDY JONES FOR TWP

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The Washington Post, September 13, 1992

NAMED-PERSONS: GEORGE BUSH; BILL CLINTON

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Daily Report For Executives

June 23, 1992, Tuesday

1992 DER 121 d75

ECTION: TAXATION, BUDGET AND ACCOUNTING TEXT; 121.

ENGTH: 6066 words

EADLINE: "A NATIONAL ECONOMIC STRATEGY FOR AMERICA," ISSUED BY ARKANSAS GOV. ILL CLINTON, DEMOCRATIC PRESIDENTIAL CONTENDER, JUNE 21, 1992 (TEXT)

BODY:

MMARY

During the 1980s, our government betrayed the values that make America great: oviding opportunity, taking responsibility, rewarding work. While the rich got cher, the forgotten middle class -- the people who work hard and play by the les -- took it on the chin. They paid higher taxes to a government that gave em little in return. Washington failed to put people first.

No wonder our nation has compiled its worst economic record in fifty years.

Our political system isn't working either. Washington is dominated by erful interests and an entrenched bureaucracy. Americans are tired of blame.

They are ready for a leader willing to take responsibility.

My national economic strategy puts people first by investing more than $ 50 lion each year for the next four years while cutting the deficit in half. se investments will create millions of high-wage jobs and help America pete in the global economy. They include:

- Putting America to work by rebuilding our country, converting from a nse to a peacetime economy, revitalizing our cities, encouraging private stment, and opening up world markets.

- Rewarding work by providing tax fairness to working families, ending are as we know it, providing family leave and cracking down on deadbeat nts.

Supporting lifetime learning by bringing parents and children together, oving schools, training high school graduates, offering every American the e to borrow money to go to college and serve our nation, and retraining rs.

Providing quality, affordable health care by radically controlling costs ing paperwork, phasing in universal access to [illegible]
ing down on drug [illegible]

save us several dollars for every one we spend Q Head Start, the Women, Infants and Children (WIC) program, and other critical initiatives recommended by the National Commission on Children.

-- Dramatically improve K-12 education. We will overhaul America's public schools to insure that every child has a chance for a world-class education. We will establish tough standards and a national examination system in core subjects like math and science, level the playing field for disadvantaged students, and reduce class sizes. We will give every parent the right to choose the public school his or her child attends, as we have done in Arkansas. In return, we will demand that parents work with their children to keep them in school, off drugs and headed toward graduation.

-- Safe Schools Initiative. We will provide funds for violence-ridden schools to hire security personnel and purchase metal detectors. We will help cities and states use community policing to put more police officers on the streets in high- crime areas where schools are located.

-- Youth Opportunity Corps. To help teenagers who drop out of school, we will help communities open centers that give dropouts a second chance. Teenagers will be matched with adults who care about them, and given a chance to develop self-discipline and skills.

-- National Apprenticeship Program. As President, I will bring business and education leaders together to develop a national apprenticeship system that offers non-college bound students training in a valuable skill, with the promise of a good job when they graduate.

-- National Service Trust Fund. To give every American the right to borrow money for college, we will scrap the existing student loan program and establish a National Service Trust Fund. Those who borrow from the fund will be able to choose how to repay the balance: either as a small percentage of their earnings over time, or by serving their communities for one or two years doing work their country needs as teachers, law enforcement officers, health care workers, or peer counselors helping kids stay off drugs and in school.

-- Worker retraining. We will require every employer to spend 1.5 percent of payroll for continuing education and training, and make them provide the training to all workers, not just executives. Workers will be able to choose advanced skills training, the chance to earn a high school diploma, or the opportunity to learn to read. And we will streamline existing programs by combining the confusing array of publicly-funded training schemes.

QUALITY, AFFORDABLE HEALTH CARE FOR ALL

The American health care system costs too much and does not work. Instead of putting people first, the government in Washington has favored the insurance companies, drug manufacturers, and health care bureaucracies. We cannot build the economy of tomorrow until we guarantee every American the right to quality, affordable health care.

Washington has ignored the needs of middle-class families and let health care costs soar out of control. American drug companies have raised their prices three times faster than the rate of inflation, forcing American consumers to pay



National Republican Congressional Committee

To: Carol

From: Richard Billmire (202) 479-7060 Ext

Date: 9/22/92 Total # of Pages: 12

Comments:

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In a New Hampshire debate of 01/31/92, Clinton reviewed his health care proposals. "We ought to take on the insurance companies and have insurance reform, but we ought to do with an employer-based system with a government alternative for small business and people with no insurance." He then agreed with Jim Lehrer, a moderator of the event, that this was a "kind of the play or pay."

"I'm telling you folks, this country cannot be turned around unless you give us a chance to give the American people a plan to control health care costs and provide basic health care to all Americans. If you vote for it, we'll do it, we'll do it for you." What he really meant, we will really do it to you. 09/09/92 CNN/ Jeff Levine, Experts Say Candidates Are Lacking on Health Care Issue.

U.S.A. Today Editorial Meeting with Governor Bill Clinton 08/12/92

"Let me ask you how you would finance your own program? The Bush Administration says that you would impose a payroll tax. Is there a payroll tax fitting in your plan and if not, how are you planning to finance this?"

"First of all, what I plan to do--let me just say what I plan to do first is, I don't plan to lead with the tax . . . . You allow small businesses to buy into big pools. A lot of those people would then begin to buy the insurance, because the unit cost will go down. And ultimately what you're going to have to do is to say that if people don't do that, then they buy into a government program. And you can call it payroll tax or whatever other tax . . ."

- Thursday, August 13, 1992
USA Today Editoral Meeting: Bill Clinton, Presidential Candidate
Transcript ID: 860781 (1456 lines)

"USA TODAY" EDITORS MEET WITH GOVERNOR BILL CLINTON, DEMOCRATIC PRESIDENTIAL NOMINEE

WEDNESDAY, AUGUST 12, 1992

Q Well, welcome. We're glad you're here. It's nice to have you here. We appreciate your taking time out of your busy day to be here.

GOV. CLINTON: Thank you.

Q You've often said that you're a man of many ideas and where there's a problem you'll find solutions. And, in fact, you have many fresh ideas for some of the different problems the country faces.

But your critics back home call you Slick Willie and they say that you've never been able to figure out -- they've never been able to figure out what's really most important to you.

What is most important and what are the three most important things you'd like to accomplish in the presidency?

GOV. CLINTON: The most important thing to me is to see an America in which every person has a chance to live up to the fullest of his or her God-given capacities -- an America which is living up to its historic destiny as a place of boundless opportunity and a beacon of hope and freedom.

In order to make that kind of America, this country has to change and the three most important things that I would do as president to change that:

First -- try to change our economic philosophy away from trickle-down economics toward an investment philosophy -- both public and private investment to make American competitive again.

Second -- to address the enormous problem of spiraling health care costs and the crisis in health care in America. To provide a basic system of affordable health care to all Americans without

In California, you'd have 20 percent of the health insurance companies in California basically opted out of insuring against risk and they're still in the management of health care. So a lot of those companies out there have seen the future and they're moving that way. So I think we ought to provide that option, but I don't think it's practical at this stage to require that to be done nationwide.

Q Let me ask you how you would finance your own program? The Bush Administration says that you would impose a payroll tax. Is there a payroll tax fitting in your plan and if not, how are you planning to finance this?

GOV. CLINTON: First of all, what I plan to do -- let me just say what I plan to do first is, I don't plan to lead with the tax. What I want to have first, we're going to have to implement this over a period of a few years and the difference between my plan and say the senate Democratic plan, which is straight payor plan, is that I want to implement the cost saving programs first. I want to have -- because I believe that will get us very close to universal coverage before we have a payroll tax. That is, I think it will get you close to what Hawaii has done, if you look at the Hawaii system. You go to community rate, you give real incentives for people to be in broad based health networks, big HMOs, where there's still a fair amount of choice for the doctors and providers, if you take some of the money that
goes through Medicare and Medicaid and put community clinics out there so you stop rationing health care on the front end by providing more primary and preventive health care, if you have alternatives to try to cut the cost of medical liabilities -- alternative dispute resolution mechanisms, national practice guidelines for doctors -- if you do all the things I have recommended, then I think what you'll see is immediately, I mean, once you get this in, a lot of people who are now paying for health insurance will find their costs go down.

You allow small businesses to buy into big pools. A lot of those people would then begin to buy the insurance, because the unit cost will go down. And ultimately what you're going to have to do is to say that if people don't do that, then they buy into a government program. And you can call it a payroll tax or whatever other tax, but ultimately, if they are given a government program to buy into if the private sector doesn't provide it, then they will have to pay for that.

- Friday, January 31, 1992
Public Television Democratic Presidential Debate (Part I)
Transcript ID: 792671 (1957 lines)
This is a partial transcript, more to follow

DEMOCRATIC CANDIDATES DEBATE
SPONSORED BY PUBLIC BROADCASTING SERVICE

MODERATED BY: ROBIN MACNEIL AND JIM LEHRER

FEATURING:
FORMER SENATOR PAUL TSONGAS, D-MA
FORMER GOV. JERRY BROWN, D-CA
GOV. BILL CLINTON, D-AR
SEN. TOM HARKIN, D-IA
SEN. BOB KERREY, D-NE

FRIDAY, JANUARY 31, 1992

ROBERT MACNEIL: Tonight the five major candidates for the Democratic Party's presidential nomination debate the key economic issues in the 1992 race for the White House.

Good evening. I'm Robert MacNeil.

JIM LEHRER: And I'm Jim Lehrer.

MR. MACNEIL: Welcome to the second of seven candidate debates coordinated through a nonpartisan group called Debates '92. With us tonight, named in alphabetical order, are the five major Democratic presidential candidates: Former California Governor Jerry Brown; Governor Bill Clinton of Arkansas; Senator Tom Harkin of Iowa; Senator Bob Kerrey of Nebraska; and former Senator Paul Tsongas of Massachusetts.

MR. LEHRER: The emphasis tonight will be on the economy and other domestic issues. There are no formal ground rules other than those of basic fairness and civility. We have asked the candidates only to keep their answers as brief as possible in the interest of fairness. We will watch the clock to make sure each has an equal chance to be heard over the course of the next two hours. There will be no formal opening or closing statements. Seat selection around this table and the order for the first question were determined by lot. Robin?

MR. MACNEIL: Gentlemen, President Bush told us the other night how he sees the state of this Union. I'm going to ask you how you see it tonight. Senator Tsongas.

these ideas of putting more money in the health care system simply are not going to work.

We have got to say to the American people we have an obligation to budget all of our health care expenditures and pay for it. Yes, I'm prepared to say to the American people that, yes, we will pay for it with taxes, but the average taxpayer out there will pay less. Now, Tom and I with our big fat salaries will pay a little bit more 'cause I believe in progressive taxes, but for an average American worker under $40,000 a year, they'll pay $500 less, and for somebody making $25,000 a year, they'll pay $1200 less. The American people should not be fooled with this tax argument. Fact is, we can spend less. Germany spends less. Canada spends less, and they spend less, Jim, because their politicians are required to be accountable on the overall cost, and we are not.

MR. LEHRER: Governor Clinton, which -- which one of these two men do you agree with?

GOV. CLINTON: Well, again, I have a little bit different perspective, you know, because I've been paying all these health care budgets as governor for so many years, and I just finished a year as the head of the governor's projects on health care. It's a very complex issue. I must have talked to hundreds, literally hundreds of people before I put out a position paper on it. But let me say that, first, every one of them is better than what George Bush says. I don't agree --

MR. BROWN: Pick -- which one do you like? I mean you can't say you like them all.

GOV. CLINTON: Well, I like mine. I like mine, but I mean I think --

MR. BROWN: What is yours?

GOV. CLINTON: I believe that we ought to go -- like I agree with Senator Tsongas. We ought to take on the insurance companies and have insurance reform, but we ought to do with an employer-based system with a government alternative for small business and people with no insurance. I agree, however --

MR. LEHRER: That's the kind of the play or pay.

GOV. CLINTON: Yeah, but the difference between me and the senate bill is -- or any other bill, we've got to take -- you've got to have dramatic insurance reforms. If you don't stand up to the insurance companies, you're not going to save any money with them. And second thing you have to do is have a dramatic plan to reduce the cost of paperwork of bureaucracy. This is a very inefficient system. The third thing you have to do is to stop fee for service. If the more you spend, the more you make, and you have no control over that, the system will continue to spend out of control.

MR. LEHRER: What do you mean, stop fee for service?

GOV. CLINTON: I mean you can't just -- I don't believe that -- I think what I want to do is get more people in health care networks. I don't like the word, managed care, 'cause it implies you're giving -- you're taking stuff away from people. But you're talking --

MR LEHRER: Fee for service means I go to a doctor, and I pick my own private doctor and my own private hospital. You're saying you don't the --

GOV. CLINTON: No, I think -- I think they should be able to do it, but they should also have the freedom to enroll in networks where they pay a yearly fee for being in it so that there's -- you take some of the incentives out for spending more money by the providers. I also believe that you -- I agree with Senator Kerry on this. You have to have some agreement at the national level and at the state level to keep the cost of health care in the aggregate within inflation. And, finally, you got to do something about drug costs. They are not subject to regular competition, and about the distribution of unnecessary technology.

Now, these are the kinds of tough decisions that everybody's going to have to make. The Bush program doesn't do any of that. I believe that the Tsongas proposal and financing is more realistic, and we can get there quicker. I believe that it is important to maintain some competition, but everybody's got to have access to a comprehensive health care network and a centralized billing system and absolute dramatic reductions in the paper trail that is engulfing hospitals.

MR. LEHRER: Senator Tsongas, is it --

GOV. CLINTON: Wait a minute.

MR. LEHRER: Sure.

GOV. CLINTON: Any one of these plans, first of all, is going to be modified as we go along through congress. Bob Kerry's right. If one of us gets elected president, we'll have national health care for everybody. And, secondly, I want to say any one of these plans five years from now will save a hundred billion dollars over the way we're going.

MR. LEHRER: Including Kerry's plan?

GOV. CLINTON: Absolutely. But in the beginning it's cost too much money --

SEN. KERREY: It is not true that if one of elected -- I mean I've got a very specific proposal. I'm fighting for national health insurance. Paul's fighting for

Q So you are saying that there will be a payroll tax --

GOV. CLINTON: There will be -- there will be a buy-in tax, which they can call a payroll tax or whatever, down the road for those who don't provide health insurance in any other way. But it will be a service to those folks in the sense that it'll be undercutting the market if we can't get the insurance markets down to an affordable rate. But if you look at what's going on in Hawaii now, 98 percent of the people in Hawaii are covered under their coverage plan. Two companies have 65 percent of the market because they went to broad-based community ratings. And the average employer premium is 50 percent below the United States average.

Q Now, the Bush administration says that your plan will cost hundreds of thousands of jobs and billions of dollars in business. Do you agree with that?

GOV. CLINTON: No, it'll save hundreds of thousands of jobs. The Bush administration plan is costing jobs.

Q But are you --

GOV. CLINTON: Let me just -- let's lay this out here now. We are spending 13.3 percent of our income on health care. Our nearest competitor, Canada, is at 9.1. Germany is at 8.7. Japan's at 8.7. In the last six years, Germany has kept health care costs under inflation. Result: Average factor worker makes 20 percent more than the average American for working a shorter work week, has universal health insurance, gets a four-week paid vacation a year, has family leave.

Q But if you require American companies to provide insurance, increasing their costs, or you require them to pay a payroll tax, why that won't hurt them economically?

GOV. CLINTON: They're all paying for it anyway or throwing it off on the rest of us. Look what's happening. All these companies today -- because we are the only major nation in the world that stubbornly refuses to have the national government institute a system of cost control, what's happened today? All these businesses are dropping health care coverage or they're hiring part-time workers and temporary workers in place of full-time workers. So what happens to all those people? They still get health care. Even they don't have any coverage, they get it. But they don't get it

#I — PRESIDENTIAL

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April 19, 1992, Sunday, FINAL EDITION

SECTION: PERSPECTIVE; Pg. 1; ZONE: C

LENGTH: 1634 words

HEADLINE: No simple cure
Candidates offer plans to reform health care system

BYLINE: By Rogers Worthington; Rogers Worthington is a Tribune correspondent.

BODY:

The symptoms of the nation's ailing health care system are almost canon by ow: More than 35 million people lack insurance to pay for medical costs. And those costs are surging at a rate of 13 to 14 percent a year, straining the nances of families and employers.

"There's a lid on them somewhere, but we may not even be close to it," said rian Cooper, a census analyst with the U.S. Commerce Department. Cooper notes at on a per capita basis, Americans now are spending almost as much on health re as they are on food.

Health care coverage has become the iceberg issue of 1992. There are forums, ferences and seminars on the subject. Twenty-nine bills for health care orm await action in congressional committees. Fiscally beleaguered state ernments, impatient with lack of federal action, are attempting health care orms on their own. And in polls, voters are stating loud and clear that the lth care issue has a priority second only to the nation's economy.

"The big fear in America today is 'I may lose my health insurance,' whether losing jobs, companies cutting back on benefits or insurance firms raising miums," said Rep. Fortney "Pete" Stark (D-Calif.), chairman of the health committee of the House Ways and Means Committee. And as the economy worsened, said, "that fear (was) building."

resident Bush and Democratic presidential candidates Bill Clinton and Jerry n each say they have the cure for what ails America's tottering health care em. In the months to come, their plans and others will be the focal point brewing national debate, and the outcome could be as significant, say some, e creation of the federal income tax and the New Deal.

rown's plan mirrors a system that has been field-tested in Canada, and on's is modeled loosely on one in Hawaii that has been in operation since Bush's is a new and untested approach, similar to one developed by the rvative Heritage Foundation. Clinton and Bush would preserve the roles of insurers; Brown would not.

America" bill. It is aimed at making "affordable" health care available to all.

Employers would either buy private health insurance for their workers or pay into a public superfund that would cover them, as well as the poor and unemployed. Either way, the employee would have to pay as well, probably on an income-adjusted scale.

Clinton doesn't mention what would happen to the deductibles that now throw many families into instant cash crises. He does seek an end to the underwriting practices that now divide people into higher risk groups because of pre-existing health conditions, gender and age.

He would try to hold down costs by setting annual health budget targets, ttempting to hold down prescription drug prices, eliminating needless uplication of costly high-tech diagnostic equipment within a metropolitan area, stablishing medical practice guidelines with an eye toward lowering malpractice nsurance rates and encouraging the education of more general practitioners to eliver primary care.

Clinton's plan is short on cost containment and financing details, and, ke Bush, the Arkansas governor seems to lean toward managed care such as HMOs d group health networks, which are more cost -efficient but limit consumers' oice of physicians. Clinton's plan also ignores long-term home-based care nefits for the elderly.

Critics say "play or pay" would cost jobs if the mandated payroll tax on y" employers were too high. And if set too low, it would encourage the "play" loyer to dump workers into a plan that probably would offer less than the they had. Further, critics say "play or pay" would encourage a icaid-style system that would become little more than a poorly thought-out k door to a national health care plan.

"It will work, but it will have a cost that will prove to be unacceptable," d Edmond Haislmaier, a health care analyst at the Heritage Foundation.

n: Single payer

rown would seek to provide health care for all Americans, regardless of r employment status, through a tax-supported " single payer" national th insurance program like Canada's, with universal access to doctors and th care facilities of choice.

single-payer bill authored by Rep. Marty Russo (D-Ill.) has lined up 67 ponsors but faces a gantlet of committee scrutiny. Sen. Paul Wellstone inn.) has submitted a companion version in the Senate.

der Brown's plan, the government would be the single payer of hospital , replacing some 300 insurance companies. Brown says this will eliminate ain-size spools of red tape and paper, while giving everyone the quality care of his choice. The $67 billion he and the General Accounting e estimate would be saved by eliminating the insurance companies' cative roles could be used, he says, to cover th
ured Americans

Rec'd 9:00 AM
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Encouraging Entrepreneurial Capitalism:
Strengthening Small Business

I. Introduction: The Challenge

Historians will record the twentieth century as the American Century. It was in this century that the United States first became actively engaged around the world. Throughout this century, we have sought to advance two ideals -- democracy and free enterprise -- that have served us well for more than two hundred years.

Today, in country after country, given the choice, people have chosen these two ideals as the path they want to pursue. We have just completed the greatest mission of this American century -- the triumph of democratic capitalism over imperial communism.

Despite these victories in the marketplace of ideas, many Americans are anxious about the future. Sluggish economic growth in the United States, Europe, and Japan has fueled many of these concerns.

We sense the epic changes at work in the world and in the economy, the uneasiness felt in the democracies who have served as our partners.

For America to be safe and strong, we must move confidently to meet the defining challenge of the 1990s: to win the economic competition in an integrated global economy, and provide Americans with prosperity and economic security. We must be a military superpower, an economic superpower, and an export superpower.

My Agenda for American Renewal states that we need to look forward -- to open new markets, prepare our people to work, strengthen our families, save and invest so that we can win. Our renewal depends on economic growth -- but growth not for the few at the expense of the many, not for the present at the expense of the future.

In our country we have always prized an entrepreneurial capitalism that grows from the bottom up, not the top down; a prosperity that begins on Main Street and extends to Wall Street -- not the other way around.

One of our great strengths is our capacity to innovate, to adjust, to change, to redeploy our resources to their most efficient uses. The economic future will belong to those

nations most able to innovate and adapt. Those burdened by bigness often sacrifice quickness and agility for size.

Entrepreneurial capitalism is the sparkplug for America's economic engine. Its energy depends on creating a climate that encourages creativity, rewards innovation, promotes flexibility, and requires competition. Small businesses are essential in helping America meet the challenge of an integrated world economy.

II. The Context: The Role of Small Business in the Economy

Small business has long played ~~an~~ important role in the U.S. economy. Small businesses, those businesses with fewer than 500 employees, today employ more than 50 percent of the U.S. work force.

They account for 44 percent of all sales and generate 39 percent of the GDP. Thirteen percent of our labor force -- 15.6 million workers -- are self-employed.

Small businesses are a crucial element of our nation's manufacturing sector. In 1991, 98 percent of all manufacturing firms were small businesses.

Last year, 63 percent of all manufacturing jobs were located in small businesses -- close to one in every five (18 percent) manufacturing jobs were in firms that employed less than 50 workers. Between 1985 and 1991, small manufacturers with less than 100 workers created over 200,000 net new jobs.

III. Recognizing Our Strengths

Small business is one of the strengths of the U.S. economy. It contributes to our economic well being in four important respects.

First, our success in creating jobs is in large part attributable to the vitality of our small businesses. Small business is the engine that propels the economy.

- Small businesses create two-thirds of our new jobs.
- During the 1980s, small businesses added about 12.5 million additional workers, while employment in Fortune 500 companies actually declined.
- From 1988 to 1990, small businesses created more than 3 million jobs -- the entire net increase in the nation's job growth for that period in the private,

non-farm sector.

Second, small businesses are a catalyst for innovation -- the driving force in a dynamic economy. Small firms produce about 2.4 times as many innovations per employee as large firms. They have been responsible for over half (55 percent) of the country's technical and industrial innovations since the second World War.

Third, small businesses will enable the U.S. to become an export superpower. Forty percent of all U.S. exporters are small businesses. Every billion dollars in exports creates 20,000 new jobs.

Fourth, the dynamism of small business has provided an avenue of advancement for minorities and women. During the 1980s, the number of Black-owned businesses grew by almost 40 percent, and the number of Black-owned manufacturing establishments more than doubled from 1982 to 1987.

Likewise, the most recent Census bureau statistics show more than 422,000 Hispanic-owned businesses nationally, an increase of 81 percent from 1982. The rate of growth of Hispanic-owned businesses is almost six times the rate for all businesses. Between 1982 and 1987, the number of businesses owned by Asian Americans and Pacific Islanders rose 89.3 percent.

Women are starting businesses at twice the rate of men. Thirty percent of all small businesses in the U.S. are owned by women. If the trend continues, nearly 48 percent of all small businesses will be owned by women by the turn of the century.

IV. Helping Small Businesses Get Started

My Agenda for American Renewal encourages the entrepreneurial spirit of our private businesses. It offers pursue tax, economic and social policies that give incentives for entrepreneurship, rather than discouraging it.

This is common sense. When government permits individuals to keep the rewards of their success, they will keep trying until they succeed. But when government exacts a higher price for entrepreneurship, it undermines the incentive for individuals to start new businesses and create jobs.

That is why I want to cut the capital gains tax and index it for inflation. But in the case of small businesses, I propose to go one step further and cut the tax on capital gains from small business start-ups to zero. These changes would permit small business owners to keep the economic rewards they have earned in return for the risks they have taken, giving

them a greater incentive to undertake those risks.

Some potential entrepreneurs are deterred by the high initial costs of starting a company. Under our tax laws, they can only deduct those expenses over many years.

I propose changing the tax laws to allow individuals to deduct up to $2,500 of those start-up costs in the first year, when those costs hit small business owners the hardest. ($0.5 billion)

These economic incentives should help. But sometimes direct financial assistance is required, particularly for those who may be unable to obtain credit to start a business from traditional financing institutions.

I recently signed legislation to reform the Small Business Investment Company (SBIC) program. The legislation creates a new $250 million program designed to provide equity-type financing to small businesses with high growth potential. Under the new program, SBICs will be better able to make equity investments in small firms wanting to develop and market their visionary ideas.

In order to fill that need, the Small Business Administration started a $45 million program earlier this year to provide unsecured short-term loans in small amounts -- up to $25,000 -- to budding entrepreneurs or small businesses that would like to expand.

Finally, my Administration is seeking new ways to help those who might wish to start a small business. The Small Business Administration and the Department of Housing and Urban Development, working in partnership, recently agreed to start a pilot program in Atlanta to assist public housing residents and other low-income residents in the neighborhood to start their own businesses.

Under the program, the SBA and HUD provide managerial, technical and financial assistance to residents who are interested in starting or expanding a business to provide services for the housing project or its residents, including maintenance and custodial services, appliance repairs, security services, lawn care, child care or transportation services.

V. Helping Small Businesses Get Access to Credit

Small businesses need adequate access to credit. Entrepreneurs can't do it alone. They need credit to set up shop and then to expand. They are not looking for a handout, but a chance to give a good return on investment.

In 1992 we have provided a record $6 billion in loan authority to permit the Small Business Administration to guarantee small business loans. This is 50 percent above the 1991 level.

More than $2 billion in loan authority has been provided this fiscal year to help small businesses recover from the effects of devastating natural disasters including Hurricanes Andrew and Iniki and the Los Angeles riots. The Small Business Administration has initiated steps to streamline the application process so that businesses are able to get back on their feet again without delay.

I know that many small businesses have had a tough time borrowing. We have been fighting the credit crunch in every possible way. First, we worked with the Federal Reserve Board to lower interest rates. Interest rates are now at their lowest levels in twenty years.

Then we met with nearly every bank regulator in the country, and told them that banks must be able to lend to good borrowers. We made thirty separate regulatory changes to remove federal barriers to sound lending. Government overregulation should not stand in the way of creating new businesses and jobs.

Earlier this year, I initiated the New England Lending and Recovery Project in order to respond to severe credit crunch problems in that area. Under this project, the Small Business Administration has been working with the Federal Deposit Insurance Corporation (FDIC) to review the performing loans in their portfolio. The goal is to identify loans that could be restructured or refinanced under the SBA's Section 7(a) loan program, thus averting a possible foreclosure action on the loan by the FDIC. This initiative has provided much needed assistance to save small businesses and the workers they employ.

We took the message to the banks as well. Last week Secretary Brady met with bank CEOs from around the country to discuss credit market conditions and to encourage a strong focus on small business lending.

We have directed bank examiners to conduct their valuation of real estate based on the ability to generate income, not on its liquidation value.

Then we took the message to Wall Street. Working with the Securities and Exchange Commission, we are making it easier for small companies to sell shares by eliminating the paperwork requirements that drive up the cost of getting investors.

First, issuers of "seed capital" offerings will be able to issue up to $1 million annually in securities exempt from SEC

registration requirements.

Second, the SEC is raising from $1.5 million to $5 million the maximum amount of securities that can be issued in a limited public offering using simplified disclosure procedures.

Third, the SEC has expanded its shelf registration rules to allow up to 450 additional small and medium sized companies to register securities offerings only once every two years. These steps could increase available investment capital by $1 trillion.

Finally, the SEC is adopting rules to foster investment in small businesses by mutual funds.

VI. Helping Small Businesses Reduce the Cost of Capital

If small business is to accelerate its role as an engine for creating jobs we must bring down the cost of capital by reducing costly tax and regulatory burdens. Our task is two fold: reduce capital costs directly and reduce the paperwork burden that fall so heavily on small businesses.

I am proposing a five-year $20 billion initiative to achieve these two objectives. This initiative includes:

- Reducing the corporate tax rate for small businesses from 15 percent to 10 percent; ($5.5 billion)
- Increasing the current expensing limit from $10,000 to $25,000; ($8.4 billion)
- Eliminating capital gains taxes on newly issued small business stock; ($0.7 billion)
- Permitting the immediate write-off of up to $2,500 of the front end costs of organizing a new business; ($0.5 billion) and
- Simplifying the tax laws so that most small businesses can file their returns on one or two pages. ($4.9 billion)

  This simplification will grant Alternative Minimum Tax relief for preferences arising from active participation in a small business; allow small businesses to elect inflation-adjusted inventory accounting rules; exempt small businesses from uniform capitalization and long-term contract rules; and enhance and simplify pension rules for small businesses.

Winston Churchill once said to America: "Give us the tools and we will finish the job." This is the cry of entrepreneurs. We hear your voice. Every day we are pushing aside the barriers that stand in the way of building your businesses and creating new jobs.

VII. Helping Small Businesses Expand Employment and Increase Productivity

Small businesses today face a new competitive environment -- challenged not only by competitors in their neighborhood, their city and throughout the Nation, but also by competing firms from around the world. In the new global economy, each of our companies -- from the largest to the smallest -- must have the tools they need not only to compete, but to win.

The ability of small businesses to grow and compete in the global economy depends on their ability to innovate, increase productivity, attract and retain highly-skilled workers and find new markets for their products. The Federal government can do its part by encouraging investment in R&D, supporting efforts to improve the quality of our workforce, reforming our legal system and opening foreign markets for American products and services.

A. Supporting Innovative Research

In order to be the world's economic leader tomorrow, we must invest in research and development and foster new technologies today. That is why I want to make the research and experimentation tax credit permanent. This credit, which was adopted in 1981 to encourage increased private R&D spending, has been renewed periodically for a year or two at a time. It is time to create predictable rules small businesses can count on when making R&D investment decisions by renewing it permanently.

Our Small Business Innovation Research (SBIR) program fosters the pioneering spirit of small businesses in research and development activities. Under the SBIR program, eleven major Federal agencies set aside a percentage of their R&D funds for contracts with small firms.

My Administration strongly supports increasing the portion of the Federal R&D budget set aside for small business from 1.25 percent to 2.5 percent. Congress should pass this legislation immediately. Since the program began ten years ago, more than $2.2 billion in Federal R&D funding has been directed to small businesses.

One of the goals of the SBIR program is to encourage small firms to develop products and technologies that have commercial

applications. At least one in four SBIR award winners has achieved commercial sales or expects that commercial sales will occur.

B. Improving the Quality of Our Workforce

In the 21st century, our greatest national resource will be our people. Materials, machines, and methods are also important, but it is the American worker who will remain the key to our economic security. Since the workplace of the 21st century will be constantly changing, we need a workforce that is skilled and adaptable.

Those industries showing the fastest rate of employment growth include many small-business-dominated industries that require highly-trained workers: engineering, biotechnology, architectural, business and recreation services and automotive repair. Those growing industries with a skilled workforce will have an advantage in the new global marketplace.

That is what my American 2000 program is all about. It includes four crucial elements:

- Accountability.

  Our students can't beat world class competition if they can't meet world class standards. We are moving ahead with the development of these standards in math, science, English, history, geography, arts and civics. And we need voluntary national achievement tests to measure the progress of our students in meeting these standards.

- Innovation.

  We need break-the-mold New American Schools that will transform our classrooms by developing and implementing the latest in technology and ideas for teaching our students.

- Flexibility.

  We need to give schools the flexibility to become educational entrepreneurs --to figure out the best ways to motivate our children, use technology, include parents and involve new types of teachers.

- Competition and Choice.

  We must give parents the ability to choose which school their children will attend -- public, private or religious.

We must prepare workers for the prospect of changing jobs and learning new skills many times throughout the course of a

productive life. In January 1992, I announced a plan to streamline the Federal job training system through "one-stop shopping" in every community. Experience has demonstrated that the most effective training and placement services are those closely developed with local employers through private industry councils. That way the training is designed to develop skills that employers know they will need.

My expanded job training proposal has three key features:

- Universal coverage, so all dislocated workers will have access to basic transition assistance and training support;

- Skill grant vouchers of up to $3000 to help meet the costs of adding new skills and training; and

- A tripling of the resources currently devoted to training and worker adjustment, an allocation of $10 billion over five years.

I have also proposed a specially-targeted Youth Skills Initiative. The Initiative includes creation of a new Youth Training Corps to provide economically and socially disadvantaged young people with intensive vocational training, and a National Youth Apprenticeship Program to provide skills training for young people not planning to attend college.

C. Reforming Our Legal System

America has suffered a civil litigation explosion. Over the past 30 years, Federal lawsuits have almost tripled. Instead of being fast, fair and affordable, our civil justice system is slow, expensive, and putting us at a global disadvantage.

The cost of litigation affects businesses of every size. Long delays in resolving disputes waste valuable judicial resources, force early settlement by those who cannot afford to wait, discourage those who have meritorious suits, and encourage frivolous suits by those who hope to leverage unjust settlements. High punitive damage awards are passed on to consumers through higher prices, job cuts, higher insurance premiums, and fewer new products.

The major obstacle to reform is, simply put, trial lawyers. I support product liability reform legislation to confront the trial lawyers head on. It would stop wide variation among states' product liability rules; stop important products from being kept off the market; stop excessive litigation costs with more money going to lawyers than to injured consumers; cut excessive insurance rates; and end excessive consumer costs.

My "Access to Justice Act of 1992" is intended to restore fairness and efficiency to the nation's civil justice system through: alternatives to Federal civil trials such as alternative dispute resolution; incentives for pre-litigation settlement, including pre-complaint notification; and a "loser pays" rule requiring the loser to pay the winner's legal fees in suits involving Federal diversity jurisdiction.

We also need to continue our work with the States to encourage fundamental change at the State and local level.

D. Expanding and Opening Foreign Markets

America is an exporting nation. ~~In~~ 1991, we regained the position of the world's number one exporter. Even more impressive, a relatively small percentage of American firms are responsible for most U.S. exports. Fifteen percent of U.S. firms account for nearly 85 percent of U.S. exports.

Small American businesses represent an immense, largely untapped source of export capacity. Today, small businesses have begun to see the potential that lies in selling their goods and services to eager markets abroad. My Administration has been active in making that dream a reality.

Through the programs of the Small Business Administration (SBA) and the Department of Commerce, we have provided information, counseling, training and even financing to thousands of small businesses who are dealing for the first time with the challenges of the international marketplace.

The Department of Commerce has held over thirty international trade conferences and seminars across the country to work with small businesses, provide information they need to market their products overseas, and identify U.S. government programs and sources of financing that can help them get started. In addition, the Commerce Department's Matchmaker program has introduced hundreds of small businesses to foreign markets, arranging for them to meet directly with potential foreign buyers for their products.

The SBA has encouraged small businesses to take advantage of its Export Revolving Line of Credit program. This special pilot project provides a revolving working capital line of credit to help small manufacturers bridge the gap between receipt of orders for their goods and receipt of payment. Export loans under the Line of Credit program jumped from $4.85 million in 1990 to over $26 million in 1991. In the first three quarters of 1992, the SBA extended $28 million in loans to small exporters under this program.

All SBA loans to exporters increased from $42 million in 1990 to $123 million in 1991, with an additional $195 million

in loans during the first three quarters of 1992.

Of course, it is the private sector that must lead the charge in taking advantage of opportunities to market American products abroad. But where government can help in opening markets and making those first steps a little easier, we will continue to do so.

E. Creating Enterprise Zones

Our inner cities and rural areas suffer from a lack of economic opportunities for their residents. In order to entice individuals to establish small businesses in these areas, I have proposed creating enterprise zones. Workers employed by enterprises in the zone would be eligible for a tax credit on wages. Inner city entrepreneurs starting businesses and small investors who start or purchase businesses located in enterprise zones would be entitled to deduct up to $50,000 on their personal income taxes each year, and would not be taxed on capital gains resulting from their investment.

These measures will promote entrepreneurship and job creation in economically distressed urban and rural communities.

VIII. Clearing Away the Regulatory Maze

If small businesses are to thrive and prosper, they must be free to compete without the burden of unnecessary and restrictive Federal regulation. We are working to create a business environment in which regulations addressing legitimate health and safety concerns are balanced with the need to strengthen economic growth and job creation.

In my State of the Union Address last January, I announced, and have since extended through August 28, 1993, a regulatory reform initiative which places a moratorium on new Federal regulations that stifle economic growth. I also instructed Federal agencies to look for ways to modify existing regulations that impose a special economic burden on small business.

In addition, we have undertaken several reforms to reduce the costs and burdens imposed on small businesses in complying with the Federal tax system.

A. Reducing the Costs of the Payroll Tax System

Last May my Administration announced several initiatives that will reduce administrative costs for the more than 3.5 million small employers who must report employment taxes.

Currently, many small employers must make payroll tax deposits as often as twice a week, using paper coupons. This time-consuming, inefficient system must be simplified. So we propose to allow as many as 75 percent of all employers to deposit payroll taxes once a month, and to make those deposits electronically.

These simplifications will reduce substantially the costs to employers, particularly small businesses, of complying with payroll tax regulations. In addition, these changes are expected to reduce payroll tax penalties by more than 20 percent.

The IRS is developing a new simplified employment tax form that will eliminate information ordinarily relevant only to large businesses. The IRS anticipates the new form will be available by the first quarter of 1994.

It is also inefficient and unacceptable to expect employers to file employment tax forms for each employee with the IRS, the Social Security Administration, and State and local tax agencies. So we are creating a new Single Wage Reporting System that would require only a single filing, thereby saving substantial administrative costs.

Finally, by 1993, the IRS plans to save employers from needless paperwork and correspondence with the IRS by permitting employers to verify employees' tax identification numbers (such as a social security number) by telephone.

B. Reducing Other Tax-Related Burdens

We are also working to reduce the burdens on small businesses in complying with other aspects of the Federal tax system. The Internal Revenue Service is allowing sole proprietors, including farmers, to deduct business-related tax preparation fees as a business expense rather than as a limited itemized deduction.

The IRS is also working with States on a pilot program for the joint electronic filing of Federal and State tax returns. To help small businesses deal with the complexities of the tax system, the IRS has informally contacted over 150,000 small businesses having difficulty complying with Federal tax deposit requirements. The IRS is now working with these taxpayers, outside the formal audit and enforcement context, to address compliance concerns. In addition, during 1991 the IRS conducted over 2,400 Small Business Tax Education Workshops and seminars which were attended by more than 80,000 executives.

IX. Helping Small Businesses Provide for Their Workers

In order to attract and retain good workers, small businesses need to be able to afford to provide the benefits that will give their employees economic security. Three key areas of concern to many workers are health benefits, family leave policies and pension benefits.

A. Affordable Health Care for Small Businesses and the Self-Employed

Our current health care system provides high quality, high-tech medicine, but at an unacceptable price: prices have increased at a rate two to three times the rest of the economy; thirty-five million Americans have no health insurance and current practices leave workers fearful of changing jobs because they may lose their health insurance.

My comprehensive program to reform our health care system includes provisions that allow small businesses to reduce their health insurance costs by pooling their purchasing power. By joining together to form Health Insurance Networks, small employers can have the same market clout and market sophistication of the biggest players in the health care marketplace. Group purchasing can reduce health insurance costs by as much as 16 percent through economies of scale, lower administrative costs and greater leverage to negotiate better rates with insurers.

Small employers also face the possibility of skyrocketing insurance premiums, or the inability to obtain any health insurance at all, if even one employee or employee family member is seriously ill. My plan guarantees insurability so that people with "preexisting" illnesses cannot be denied a job or health coverage on the job.

Our health care plan guarantees affordable coverage through a two-phase process. In the short term, we will limit the difference in premiums that an insurer may charge to groups with different health risks, so that no employer has to pay astronomical insurance premiums. In the next phase, we will create risk pools both for small businesses and for individuals and families receiving tax credits for health insurance. Health plans insuring a sicker than average population would receive a net transfer from the risk pool while other insurers will be net payers into the pool.

My plan will also benefit the self-employed, permitting them to deduct 100 percent of their health care insurance premiums as opposed to the 25 percent they currently are permitted to deduct. ($5.0 billion) This is fair and treats them similarly to other businesses.

I believe we can provide access to affordable health care for all Americans, while preserving choice for patients and their families in selecting doctors, hospitals, health care programs, and employment. My approach relies on the private sector to deliver health care services. But I would make the market work for us by enhancing competition, which will cut costs.

B. Incentives for Family Leave Policies

A growing number of families have two wage-earners or are headed by a single parent. As a result, it is more difficult for individuals to balance the demands of their job with the need to care for a seriously ill or injured family member, or to take time off to have a child or ~~adopt~~ one.

Employers may face significant costs from lost production, lost business opportunities, or other costs as the result of extended employee absences. These costs are particularly high for small and medium businesses that may not be able easily to shift employees to cover for the absent worker or to hire a temporary replacement. These smaller companies are also more likely to experience severe economic consequences if they do not quickly replace absent workers.

Since employers frequently must place limits on employee absences due to the economic costs of providing leave, some employees find themselves faced with choosing between their employment and the serious medical or personal needs of their families.

I propose to provide tax incentives to encourage businesses that employ fewer than 500 employees to adopt flexible leave policies related to childbirth, adoption or serious family health problems. Small employers who provide family leave to their employees would be eligible for a refundable tax credit of 20 percent of compensation to the employee during the period of family leave, up to a maximum of $100 a day in wages and benefits. The maximum credit per employee would be $1,200 per year. The employer must continue to provide health benefits and other employment protection and benefits to employees on family leave and must provide leave on a nondiscriminatory basis. ($3.1 billion)

My approach helps our smallest businesses provide family leave. This is the group of workers who most need the help. In contrast, the bill supported by many in Congress would only affect employees in businesses with more than fifty employees.

C. Retirement Security

Many Americans rely on their pension to provide them with a secure source of income during their retirement years. But many employees of small businesses are not so fortunate. Only

24 percent of small firm employees have pension coverage; the rest -- some 26 million individuals -- have no pension at all.

Even those employees with pensions often lose accrued benefits as retirement income when they change jobs prior to retirement age. Current law gives workers the incentive to cash in their benefits -- get a lump-sum payment -- rather than to roll the money over into another retirement plan or an IRA.

I am determined to turn those incentives around -- to make it easy for workers to take the pension benefits they have earned in one job to the next. Earlier this year, I was proud to sign into law a bill that makes pensions portable. It permits workers to transfer their accrued pension benefits from their old job directly to an IRA or their new employer's pension plan, if that plan accepts transfers.

The new law also imposes a 20 percent mandatory withholding penalty on lump-sum payments of pension benefits that are not transferred directly to a new retirement account. By encouraging preservation of retirement savings, we can ensure a more secure future for working men and women.

I also want to help the millions of employees without pensions by creating a new, simplified retirement program for small businesses, and by allowing State and local governments and tax-exempt organizations to establish 401(k) retirement plans. At the same time, we will simplify the rules for administering retirement plans. By reducing administrative costs, more small companies and organizations will be able to afford to provide pensions for their employees.

X. Two Paths

We stand at a crossroads where two paths diverge in markedly different directions. They represent competing conceptions of the course our country should pursue.

Taxes

Our path promises to strengthen America's small businesses through reducing the burden of taxes in order to stimulate investment, research and development, and economic activity. It would increase expensing for investments in equipment, help businesses get started, and reduce capital gains to encourage risk-taking.

My opponent's path relies on substantial increases in taxes on small business -- taxes on so-called "high income" individuals, three quarters of whom have income from small business activity or family farms; payroll taxes to pay for health care; requiring employers to spent 1.5 percent of

payroll for training -- all of which would drain profits, reduce investment, and restrain the growth of jobs.

Regulatory Burden

Our path promises a comprehensive program to simplify and ease the burden of regulations on small businesses and to eliminate those that are unnecessary. It would modify existing regulations that impose a special economic burden on small business while fending off expensive new mandates. It would reform our product liability laws and civil justice system to reduce the cost of insurance to small businesses and the hidden tax of needless litigation.

My opponent's path relies on government mandates and regulations as the appropriate means for extensive government intervention in the economy and accepts our current liability laws and civil justice system as an inevitable cost of doing business in America.

Health Care

Our path promises to assist those who work for small businesses by helping these businesses secure access to affordable health insurance, by permitting the self-employed to deduct the health insurance premiums they pay as other businesses do, and by providing credits and deductions for those who need it in order to purchase affordable health insurance.

My opponent's path relies on a mandated pay-or-play health care scheme that effectively amounts to a doubling of the payroll tax for most small businesses and that would quickly cascade into ever more government-provided health care.

Family Leave

Our path promises to expand family leave to small businesses by providing tax credits to offset the costs of family and medical leave, while leaving decision making to employers and employees.

My opponent's path relies on a government mandate that sets inflexible leave requirements for companies with more than 50 employees, excludes employees of the smallest businesses, and imposes a hidden tax on employees of medium-sized businesses.

Access to Credit

Our path promises a concerted effort to keep interest rates low and to facilitate the flow of credit to small businesses. It would reduce the cost of capital to small businesses so that they can make needed investments to expand their capacity and increase their productivity.

My opponent's path relies on government direction of additional resources to make investments in selected industries.

Worker Training

Our path promises to revolutionize education and job training while providing worker adjustment assistance for all dislocated workers.

My opponent's path would mandate worker training while imposing what amounts to a 1.5 percent payroll tax on small business.

We face a choice between change that trusts people and change that relies on greater government intervention in managing and directing economic activity and resources. By choosing our path that trusts people, we can reach our goal of a $10 trillion economy by the first years of the 21st Century. We can succeed as an economic and export superpower. We can win the economic competition. We can renew our nation for the next American century.

McGroarty/Aarhus
September 22, 1992
2:00 p.m.
[ncsb]

PRESIDENTIAL REMARKS: SMALL BUSINESS INITIATIVES EVENT
GREENSBORO, NORTH CAROLINA
SEPTEMBER 23, 1992
9:20 A.M.

Thank you, Pat [Harrison], for those kind words. [Acknowledgements.]

Dave Anderson Advance

Pat Saiki

I've come here to Greensboro to talk about small business -- to drive home the fact that businesses, like the ones that come together in the Triad Business Community, generate the hope and the pride and the jobs that hold America together. //

b (F2) c

Joe

Take ~~Joseph~~ Koury [CURR-ee] -- a well-respected member of the Triad. Joseph wasn't always the one-man conglomerate we see today. He started small: began building his empire in the early years after World War II, buying up the old Army barracks in ~~[xxxx]~~ Greensboro, NC and turning them into housing -- sometimes for the same GIs who'd trained there before going off to war, now come home to start a family. That ingenuity -- that spirit of enterprise -- that drive and dream tells us the meaning of opportunity ... the meaning of America. //

* moved them to peoples' lots.

Now today, America's economy is working its way through a period of profound change. You see it here in North Carolina, just the way you do all across the country. Many of our larger companies have retrenched and restructured -- and I know those changes have been difficult for many working Americans. But America's small businesses have shown staying power -- creating new products by the thousands -- and new jobs by the millions.

Let me give you one statistic that will drive home just what I mean. In the 1980s, the number of workers employed by Fortune 500 companies actually dropped. But in that same decade, small businesses boomed -- adding 12 and a half million new jobs. //

Tim Adams X6410 - released from SBA; also NYT oped 8/10/92 (in file)

The simple fact is, small businesses are often the first to adapt to a changing world -- the first to turn change to advantage -- the force at the leading edge of economic recovery.

That's why it's critical that we do all we can to strengthen small businesses -- remove obstacles that stand in their way, and create incentives that unleash America's entrepreneurial genius.

Helping small business reach for its dreams is key to my Agenda for America Renewal. / I've set a goal -- to make America the world's first $10 trillion dollar economy in the early years of the 21st Century. And when we get to that goal -- not if, but when -- it won't be the chairmen of the Fortune 500 we have to thank -- it will be the men and women who run the small businesses that power America, the men and women of the Triad Business Community. //

Detroit Econ Club Sp.

Right now, small business employs over half our workforce. Small business creates two-thirds of the new jobs in America. Small business is a hothouse for innovation, risk-taking, new ideas -- the engine of entrepreneurial capitalism that pulls this economy forward. //

Donna Harper, SBA 205-6740

I know -- because I've been there. I've run a small business -- built it from the ground up, with a lot of help from partners and employees. I know what it's like to sweat out a

deal, shop for credit, stay up late worrying how you're going to meet the next payroll. And I've even had the ulcers to prove it.

And let me tell you: I happen to think that meeting a payroll isn't a bad qualification for being President of the United States. //

The contrast with my opponent couldn't be clearer. He comes at small business from a different direction. My opponent has spent almost his entire adult life in government. When he wasn't in government, he practiced law and taught law school. He even ~~came to Washington -- to the Congress -- for his summer jobs.~~ [[That's where he gets his international experience, by the way: ~~Two summers in the mailroom~~ of the Senate Foreign Relations Committee.]]

Nancy Hobbs in David Dell's office

So it shouldn't surprise you that when it comes to the economy, my opponent thinks government should lead -- with planners whose idea of running a business is to do whatever the American Political Science Association thinks should be done. //

Now I believe government can play a role in helping small business. But it is a role of support -- not the lead. Not to put a new bureaucracy of government planners in the business of picking winners and losers -- but to help America do what it does best: to make way for the American entrepreneur, the little guy with the big idea.

I've put together a program to strengthen small business -- a program that will work, because it understands how small

businesses work. This is one important part of my comprehensive Agenda for America Renewal.

Roger Porter x2705

I'm releasing the full program today in a report I call Encouraging Entrepreneurial Capitalism. ((Hold up pamphlet.)) PAUSE. That's a fancy name for the small business savvy America is known for. Some of the ideas are ones we've been pushing for, for years -- some are new: All of them are solid, sensible ways to strengthen small business. // Here's what it does:

First, our program will help small businesses get started. Many new businesses literally begin at home -- when entrepreneurs convert their own "nest eggs" into capital.

Tim Adams x6410

Germany doesn't tax capital gains at America's punitive rates -- neither does Japan. If we want to compete and win, it's time to reward the risk-takers who turn their dreams into tomorrow's jobs. It's time to cut the tax on capital gains.

Because we know you've got to crawl before you can walk,

Betsy Anderson x2774 (announced 6/2/92)

we're also helping small businesses with an aggressive micro-loan program -- from a few hundred dollars up to $25,000 at the critical early stages when new ventures are most vulnerable.

That's how we'll help entrepreneurs get their ideas off the ground -- and their businesses up and running.

Part two of our small business program is to help existing small businesses find credit. / The best idea in the world can't work without capital. Entrepreneurs can't do it alone. They need credit to set up shop and expand.

Right now, you and I know -- the credit crunch has hit small business hard. That's why we've been working with bankers and regulators across the country to ease the crunch -- free up the flow of credit to companies like yours. Our regulatory reform, for example, by the Securities and Exchange Commission, has made it easier for small businesses to raise capital through stock offerings -- to help growing firms get from Main Street to Wall Street. /

Roger Porter x2705

And I've had the Small Business Administration working overtime to help credit-starved businesses. This year alone, we've increased by more than 50 percent the loan guarantees offered through SBA -- more than $6 billion for men and women with good ideas -- who want to turn those dreams into jobs. //

Betsy Anderson x2774 (announced 9/92)

Small businesses is one of the most effective ways to bring minority Americans into the economic mainstream. That's why ~~just yesterday~~ today, Pat Saiki ~~of the SBA announced~~ will release our plan to streamline our Minority Small Business program to bring economic opportunity to ~~thousands of~~ entrepreneurs ~~in cities~~ all across America.

Shane Schrieser Cabinet Affairs x2800 (release in file)

But today, I want to take our efforts one step further. I am proposing a 5-year, $20 billion dollar small-business initiative -- to lift tax and regulatory burdens off the back of small business, and cut the costs of capital.

My new initiative will smooth the way for small business start-ups -- by allowing entrepreneurs to ~~expense~~ deduct $2,500 dollars of their start-up costs in the first year. And it will increase the current small business ~~expensing~~ deduction limit from $10,000 to $25,000 dollars.

Betsy Anderson Roger Porter x2705

It includes steps to simplify tax laws so that most small businesses can file a one- or two-page tax return. / My initiative will eliminate all capital gains on ~~newly-issued small business stock~~ small business stet -- and knock down the corporate tax rate on small businesses from 15 to 10 percent. //

Roger Porter x2705

Third, we've got to help small business hire new workers and increase productivity. / Small businesses -- like every employer in America -- will benefit from education reforms like America 2000 -- from our expanded job training initiatives / from enterprise zones / and legal reform that ends the sky's-the-limit lawsuits that can drive a small business into bankruptcy. But even all of that is not enough. ((We've got to target special assistance for small business.)) → Counsel delete – sounds like industrial policy

That's why I support aggressive new export promotion programs to help small businesses crack new markets abroad, and create new jobs here at home. / You see, in the 21st Century, America must be not just a military superpower, but an economic superpower -- an export superpower. Right now, a fraction of America's companies -- 15 percent -- account for 85 percent of America's exports. We've got to open new markets for America's small businesses -- tap their explosive potential to make new customers not just down the street, but around the world.

Commerce, Susan Schwab Asst. Sec. Lisa Rossi 377-0332

Small business is already helping us pioneer new worlds -- lead the way in the bio-technology revolution. That's one key reason I ~~'ve ordered~~ am supporting a 100% increase in federal R&D funds to help small businesses generate the technologies of tomorrow.

Betsy Anderson x2774

Fourth, we've got to free small businesses from the tangle of red tape and regulation. [[NORTH CAROLINA EXAMPLE OF EXCESSIVE REGULATION STRANGLING SMALL BUSINESS.]] That's why, in January of this year, I ordered a freeze on federal regulations. It's the reason I've gone forward without waiting for Congress to streamline and simplify small business's tax reporting. You work long and hard for your success. You should spend your time doing business -- not doing paperwork.

And we've drawn the line against a Congress that's learned to say, "why pass a law -- when you can saddle America's businesses with another new federal mandate -- and let them figure out how to pay for it."

Fifth and finally, we've got to help small business provide for its workers. / To help the 15 million Americans who are self-employed, I want to raise the deductible for health insurance from 25 to 100 percent. I want to reform health insurance -- give small companies the same advantage bigger companies get when they shop for health care coverage, by encouraging small companies to pool together to buy insurance.

We want to create tax incentives to help small businesses offer their employees family leave -- not simply slap a mandate on small businesses' back. And we want to expand small businesses' ability to offer the portable pensions people will need in a dynamic economy. //

Taken together, that's a strong package -- a comprehensive program -- to give real-world help, right now, to the small businesses that make this economy grow. //

What about my opponent? What's his plan for small business? The difference couldn't be sharper. You see, I see small business as the backbone of the American economy. Mr. Clinton sees small business as the goose that lays the Golden Eggs. //

Bill Clinton's got big plans for bigger government -- and to pay for it, he's got a tax plan for almost every day of the week: Start with $150 billion in new taxes. Add a health care plan that will lead to a 7 percent payroll tax to finance the government takeover of ~~our hospitals.~~ health care. Add another payroll tax for training -- and a tax on foreign companies operating here in the U.S. and employing American workers. //

Richard Billmire 479-7060

I tell you, it's taxing just talking about it. / I guess that's why yesterday my subconscious spoke up -- and called my opponent Governor Taxes. //

Now, "Governor Taxes" says, yes, he wants to raise taxes -- but only on the top 2 percent. Standard "soak the rich" rhetoric -- but what he won't tell you is this: two out of every three people hit by Bill Clinton's tax hike would be small business owners or family farmers. These folks aren't millionaires -- they're Mom and Pop, Inc. //

Marty Reiser RNC 863-8688

Marty Reiser RNC 863-8688

Take a look at what Bill Clinton's tax plan would mean for small businesses right here in North Carolina. / If you're like the typical small business, you operate with a profit margin of

Richard Billmire, NRCC 479-7060

about 2 percent. Your market is too competitive for you to pass on costs by raising prices -- you've already cut costs to the bone.

So when Bill Clinton's new taxes kick in, you've got a tough choice. His payroll taxes alone amount to 4 to 5 percent of your operating expenses. That's your profit margin -- and then some.

So here's your choice: you can board up the windows -- or you can get out the pink slips.

I want to invite Bill Clinton and his advisors to follow along for a little "business math." Just over half of all small businesses with between 10 and 20 employees have annual sales of $500,000 to one million dollars. A 2% profit margin -- in the best case -- gives that business a $20,000 profit.

Now, Bill Clinton's new taxes would cost that company between $46,000 and $56,000 dollars -- so after you've handed over your profit to the government, the only way to pay the rest of the tax is by <u>putting someone out of work</u>. //

In the case of my example, that's 2 or 3 employees -- 2 or 3 people out of a less than 20-person company who lose their jobs.

Think about that. Those 2 or 3 people aren't just numbers -- names on a payroll spreadsheet. They're real people -- friends and neighbors -- men and women with families to feed, mortgages to pay. //

Now, if that 2 or 3 <u>still</u> doesn't sound like much -- keep this in mind. In North Carolina alone, 25% of all workers -- 638,000 people -- work in companies the same size as the one in

my example, companies that will be crippled by Bill Clinton's new taxes. Across this state, North Carolina has thousands of businesses with less than 10 employees. ~~More than 3000~~ Nearly 70% of the state's grocery stores. More than ~~2500 small~~ 80% of the state's furniture stores. ~~1 out of every 5~~ More than 80% of the companies in the building trades. Book stores and beauty shops / laundries and video stores and TV repair shops: The list goes on and on. For them, Bill Clinton's tax plan means one thing: Misery on Main Street. //

Richard Billmire 479-7060

America is a nation of small businesses -- and those small businesses will take a <u>big hit</u> under Bill Clinton's tax plan. My opponent couldn't do more damage to America's entrepreneurs if he'd <u>declared war on small businesses</u>. / Well, if you're like me, you've got to say: <u>Small business shouldn't be big-government's piggy bank</u>. //

Take a look for a moment my approach -- and the contrast with Bill Clinton. / I want to strengthen small businesses across America by lowering taxes -- increasing R&D.

Bill Clinton wants to tax small businesses and small business owners so he can give big government a raise.

I want to cut red tape, eliminate excessive regulation and reform the ruinous legal system that's crippling this economy and killing small businesses. /((Bill Clinton wants to saddle small business with new mandates, and he's <u>told</u> the trial lawyers of America he wouldn't take away even one little loophole.)) → Counsel's → repeat past quote used in speeches

How about health care / job training / family leave?

3

I want to reform our health care system -- extend coverage to all Americans, use the market to drive costs down while keeping quality up. / Bill Clinton wants a payroll tax to finance the government takeover of health care.

I want to give displaced workers a voucher to buy the training they want. Bill Clinton? He wants to put a payroll tax on workers.

I want to use tax credits to encourage businesses to provide workers family leave. My opponent? Well ... you see the pattern ... more government rules and red tape.

Bill Clinton's got a "Punt, pass and kick" plan: // Punt the problem over to business. Pass the costs along. And kick the American worker -- right where he carries his wallet. //

You've got a choice in this election. A choice between two different philosophies -- two different directions to take this country. Bill Clinton puts his faith in the so-called "best and brightest:" In his old Oxford cronies who believe "government knows best" -- just like the social welfare crowd that pulled Britain down before Maggie Thatcher pumped some life back in.

Well, I put my faith in the American people -- I want to see you keep control of the decisions that really matter in life. And when Bill Clinton says "government knows best" -- I say: You know better. //

Let me sum it up this way: Bill Clinton is wrong for America. And you know I'm right. //

Here's what Bill Clinton and the "government first" crowd just don't understand: Government can print money -- but it can't create wealth. The great ideas that make this economy grow don't begin in the marbled halls of some federal building back in Washington. More great ideas -- more of our GDP -- begins at a basement workbench, at the computer on your kitchen table, with the savings you set aside to start a business of your own. //

America is the envy of the world: not because its government is great -- but because its people are great. Because the American people are builders who dream, and dreamers who build.

We need a government that understands that fundamental fact. My program -- my Agenda for American Renewal -- will make the next American Century a new American Century, a time of peace and prosperity for all. //

Thank you once again for this warm welcome -- and may God bless the United States of America.

# # #

92-

Immediate

DRAFT

D.J. Caulfield
202-205-6742

SBA STREAMLINES MINORITY PROGRAM; EASES ENTRY, CONTRACT PROCESS

WASHINGTON -- As part of President Bush's plan for overall government deregulation, Administrator Patricia Saiki of the U.S. Small Business Administration (SBA) today announced plans to streamline the agency's Minority Small Business (MSB) program to increase efficiency and broaden participation.

"This business development program, targeted to minorities, must be more inclusive and it must deliver its services in a more timely fashion," said Saiki.

The reorganization, which requires some Congressional approval, will ease eligibility and procurement regulations, increase federal contracting opportunities and target delivery of SBA business development services.

Saiki unveiled the proposal at a briefing also attended by Judith Watts, associate administrator for the Office of Minority Small Business and Capital Ownership Development (MSB&COD). This office directs the agency's key minority-oriented commercial initiatives, the 8(a) business development program and 7(j) management and technical assistance program.

Once the plan is approved, new 8(a) applicants will notice an immediate improvement from a more flexible and realistic eligibility standard, a move intended to boost enrollment far beyond today's level of slightly more than 4,000 firms. An individual firm's success from that point on largely will be decided by its own abilities and resources, coupled with business development assistance provided by the SBA.

DRAFT

The SBA's participation in the awarding of federal contracts will also be affected.

"Now," said Saiki, "all 8(a) contracts involve the SBA administratively, a disincentive to federal buyers looking to negotiate quickly and directly. The new procedures will remove the SBA from this administrative role, simplifying the process and encouraging wider use of 8(a) throughout the federal system."

The creation of a federal government-wide small disadvantaged business (SDB) procurement program with mandated goals will bring about new, expanded contracting opportunities.

In conjunction with this expansion in marketplace, the SBA proposes to do away with the requirement that 8(a) contracts exceeding a $3 million threshold ($5 million for manufacturing) be competed among 8(a) firms. The agency sees this as limiting the 8(a) company's opportunity to gain valuable experience competing in this newly-created market.

Other recommendations include:

- Establishing a pilot 8(a) graduate assistance program whereby firms that left the program and now compete successfully in the economic mainstream mentor current 8(a) participants;
- Targeting 7(j) management and technical assistance to 8(a) firms in four specific areas, marketing assistance, proposal preparation, accounting systems and industry specific technical expertise; and
- Replacing the two stages of 8(a) participation (a four-year development and five-year [maximum] transition phase) with only one level and offer all program benefits to all participants throughout the nine-year term.

###

Dan --

Spoke with Richard Allen of Ladd Furniture, Inc.
HP Box 3
High Point, NC 27261

VP met with him and other furniture manufacturers a month or so ago. Mr. Allen didn't remember exactly when. I'll try to find out from VP's office.

Medium-sized business; approx. 140 employees in High Point

They have the biggest trouble with EPA/environment regs.

There have been increases in the amount of reporting and they have had to add new staff just to keep up on the reading of the new regs, etc. This is not the kind of job creation we are looking for. We want to invest in new ideas, new technologies, human ingenuity, etc., not paper-pushing.

The forms are complicated and take up way too much time. He feels businesses should be concentrating on doing business and selling their product, not filling out form after form after form.

He is a firm believer that business needs to take responsibility, not have government mandate everything.

Example of EPA reg. abuses: Furniture manufacturers currently have the capability to reduce emissions (sprays, enamels, etc.). However, they know that the government is going to issue a reg. that will tell them to reduce emissions by 50% of what they are emitting now. Their theory is why cut now and lower our base of emissions, so that we'll have to cut 50% of that lower number, when we can stay where we are and wait for the reg to tell us what to do.

full time job.

1

Carol --

I'll call you from the road monday. please dig up what you can in the way of local color.

thanks dmcg

gender gap issue

Richard Bellmire
479-7060

September 20, 1992

MEMORANDUM FOR BOB ZOELLICK

FROM: DAN MC GROARTY

SUBJECT: SMALL BUSINESS SPEECH

I've attached a draft, along with copies of the outline prepared by Roger Porter, and the North Carolina information supplied by Richard Billmeyer.

I've also provided copies of this draft to Roger Porter, Steve Provost and Dennis Ross. I will be at a wedding in Warrenton, Virginia from 2 p.m. today on.

CK Billmire's sources

McGroarty/Aarhus
September 20, 1992
11:00 a.m.
[sb]

PRESIDENTIAL REMARKS: SMALL BUSINESS INITIATIVES EVENT
Greensboro
~~[CITY]~~, NORTH CAROLINA
SEPTEMBER 23, 1992
TIME -- TBD

Thank you, --------, for those kind words.

[Acknowledgements/local color.]

I've come here to Greensboro [....] to talk about small business -- to drive home the fact that businesses like those in the Triad Business Community [event site?] generate the hope and the pride and the jobs that hold America together.

America's economy is working its way through a period of profound change. You see it here in North Carolina, just the way you do all across the country. Many of our larger companies have retrenched and restructured -- and I know those changes have been difficult for many working Americans. But America's small businesses have shown staying power -- creating new products by the thousands -- and new jobs by the hundreds of thousands.

Let me give you one statistic that will drive home just what I mean. In the 1980s, the number of workers employed by Fortune 500 companies actually dropped -- by ~~over~~ more than 3 million. But in that same decade, small businesses boomed -- adding 12 and a half million new jobs. //

Tim Adams x6410 got from SBA also qped in WSJ (8/10/92)

The simple fact is, small businesses are often the first to adapt to a changing world -- the first to turn change to

advantage -- the force at the leading edge of economic recovery. //

That's why it's critical that we do all we can to strengthen small businesses -- remove obstacles that stand in their way, and create incentives that unleash America's entrepreneurial genius.

Helping small business reach for its dreams is key to my Agenda for America Renewal. / I've set a goal -- to make America the world's first $10 trillion dollar economy in the early years of the 21st Century. And when we get to that goal -- not if, but when -- it won't be the chairmen of the Fortune 500 we have to thank -- it will be the men and women who run the small businesses that power America.

Donna Harper, SBA 205-6740

Right now, small business employs over half our workforce. Small business creates two-thirds of the new jobs in America. Small business is a hothouse for innovation, risk-taking, new ideas -- the engine of entrepreneurial capitalism that pulls this economy forward. //

I know -- because I've been there. I've run a small business -- built it from the ground up, with a lot of help from partners and employees. I know what it's like to sweat out a deal, shop for credit, stay up late worrying how you're going to meet the next payroll. And I've even had the ulcers to prove it.

And let me tell you: I happen to think that meeting a payroll isn't a bad qualification for being President of the United States. //

I want to focus today on what government can do to help small businesses: Not to create a Washington-run industrial policy -- what my opponent calls euphemistically a "partnership" between business and government -- not to put a new bureaucracy of government planners in the business of picking winners and losers -- but to help America do what it does best: to make way for the American entrepreneur, the little guy with the big idea.

I've put together a program to strengthen small business -- a program that will work, because it understands how small businesses work. Here's what it does:

First, our program will help small businesses get started. Here's the fact: Almost half of all new businesses literally begin at home -- when entrepreneurs convert their own "nest eggs" into capital. Germany doesn't tax capital gains at America's punitive rates -- neither does Japan. If we want to compete and win, it's time to reward the risk-takers who turn their dreams into tomorrow's jobs. It's time to cut the tax on capital gains.

Because we know you've got to crawl before you can walk, we're also helping small businesses with an aggressive micro-loan program -- from a few hundred dollars up to $25,000 dollars at the critical early stages when new ventures are most vulnerable.

Finally, I am announcing today a new initiative aimed at smoothing the way for small business start-ups -- by allowing entrepreneurs to expense $2500 dollars of their start-up costs.

That's how we'll help entrepreneurs get their ideas off the ground -- and their businesses up and running.

Part two of our small business program is to help existing small businesses find credit. / I don't have to tell the small businessmen here today: The credit crunch has hit small business hard. That's why we've been working with bankers and regulators across the country to ease the crunch -- free up the flow of credit to [companies like yours]. // Regulatory reform by the Security and Exchange Commission has made it easier for small businesses to raise capital through stock offerings -- to help growing firms get from Main Street to Wall Street. And I've had the Small Business Administration working overtime to help credit-starved businesses. This year alone, we've increased by more than 50 percent the loan guarantees offered through SBA -- more than $6 billion for men and women with good ideas -- who want to turn those dreams into jobs. //

Betsy Anderson x2774 POLICY 9/92

But today, I want to take our efforts one step farther. / I want to announce a series of new steps we can take to help cut the cost of capital: Steps to simplify pension rules for small businesses / to increase expensing limits and exempt small businesses from capitalization requirements meant for bigger businesses / to grant relief from the Alternative Minimum Tax for active investors in small businesses / to institute new inflation-adjusted inventory accounting rules / and finally, to eliminate capital gains on newly-issues small business stock.

Third, we've got to help small business hire new workers and increase productivity. / Small businesses -- like every employer in America -- will benefit from education reforms like America 2000 -- from our expanded job training initiatives / from enterprise zones / and legal reform that ends the sky's-the-limit lawsuits that can drive a small business into bankruptcy. But even all of that is not enough. We've got to target special assistance for small business.

That's why I support aggressive new export promotion programs to help small businesses crack new markets abroad -- and it's why ~~I've ordered~~ I am supporting a 100% increase in federal R&D funds to help small businesses generate the technologies of tomorrow.

Betsy Anderson x2774

Fourth, we've got to free small businesses from the tangle of red tape and regulation. [[NORTH CAROLINA EXAMPLE OF EXCESSIVE REGULATION STRANGLING SMALL BUSINESS.]] That's why, in January of this year, I ordered a freeze on federal regulations. It's the reason I've gone forward without waiting for Congress to institute a series of tax reforms -- to streamline and simplify small business's tax reporting. You work long and hard for your success. You should spend your time doing business -- not doing paperwork.

David McIntosh

And we've drawn the line against a Congress that's learned to say, "why pass a law -- when you can saddle America's businesses with another new federal mandate -- and let them figure out how to pay for it."

9 million full-time self-employed ✓
5.5 million part-time self-employment

Fifth and finally, we've got to help small business provide for its workers. / To help the 15 million Americans who are self-employed, I want to raise the deductible for health insurance from 25 to 100 percent. I want to reform health insurance -- give small companies the same advantage bigger companies get when they shop for health care coverage, by encouraging small companies to pool together to buy insurance.

Donna Harper SBA

Hanns

We want to create tax incentives to help small businesses offer their employees family leave -- not simply slap a mandate on small businesses' back. And we want to expand small businesses' ability to offer the portable pensions people will need in a dynamic economy. //

Taken together, that's a strong package -- a comprehensive program -- to give real-world help, right now, to the small businesses that make this economy grow. //

What about my opponent? What's his plan for small businesses? Well, the difference couldn't be sharper.

You see, I see small business as the backbone of the American economy. Mr. Clinton sees small business as the goose that lays the Golden Eggs. //

Bill Clinton's got big plans for bigger government -- and to pay for it, he's got a tax plan for almost every day of the week: Start with $150 billion in new taxes. Add a 7 percent payroll tax to finance the government-takeover of health care. Add another payroll tax for training -- and a tax on foreign

Richard Billmire fax

companies operating here in the U.S. and employing American workers. // I tell you, it's taxing just talking about it.

Now, my opponent says, yes, he wants to raise taxes -- but only on the top 2 percent. Standard soak the rich rhetoric -- but what he won't tell you is this: two out of every three people hit by Bill Clinton's tax hike would be small businessmen owners or family farmers. These folks aren't millionaires -- they're Mom and Pop, Inc. //

Take a look at what Bill Clinton's tax plan would mean for small businesses right here in North Carolina. / If you're like the typical small business, you operate with a profit margin of about 2 percent. Your market is too competitive for you to pass on costs by raising prices -- you've already cut costs to the bone.

So when Bill Clinton's new taxes kick in, you've got a tough choice. His payroll taxes alone amount to 4 to 5 percent of your operating expenses. That's your profit margin -- and then some.

So here's your choice: you can board up the windows -- or you can get out the pink slips.

I want to invite Bill Clinton and his advisors to follow along for a little "business math." Just over half of all small businesses with between 10 and 20 employees have annual sales of ~~between~~ 500,000 to ~~and~~ 1 million dollars. A 2% profit margin -- in the best case -- gives that business a $20,000 profit.

Now, Bill Clinton's new taxes would cost that company between $46,000 and 56,000 ~~in added taxes~~ -- so after you've

handed over your profit to the government, the only way to pay the rest of the tax is by <u>putting someone out of work</u>. //

In the case of my example, that's 2 or 3 employees -- 2 or 3 people out of a less than 20-person company who lose their jobs.

Think about that. Those 2 or 3 people aren't just numbers -- names on a payroll spreadsheet. They're real people -- friends and neighbors -- men and women with families to feed, mortgages to pay. //

Now, if that 2 or 3 <u>still</u> doesn't sound like much -- keep this in mind. In North Carolina alone, 25% of all workers -- 638,000 people -- work in companies the same size as the one in my example, companies that will be crippled by Bill Clinton's new taxes. Across this state, North Carolina has thousands of businesses with less than 10 employees. More than 3000 grocery stores. More than ~~3000~~ 2500 small furniture stores. 4 out of every 5 companies in the building trades. Book stores and beauty shops / laundries and video stores and TV repair shops: The list goes on and on. For them, Bill Clinton's tax plan means one thing: Misery on Main Street. //

America is a nation of small businesses -- and those small businesses will take a <u>big hit</u> under Bill Clinton's tax plan. My opponent couldn't do more damage on America's entrepreneurs if he'd declared war on small businesses. Well, if you're like me, you've got to say: <u>Small business shouldn't be big-government's piggy bank</u>. //

My Agenda for American Renewal does what's good for small business -- what's good for American jobs and American workers -- what's right for America. //

Here's what Bill Clinton and the "government-first crowd" just don't understand: Government can print money -- but it can't create wealth. The great ideas that make this economy grow don't begin in the marbled halls of some federal building back in Washington. More great ideas -- more of our GDP -- begins at a basement workbench, at the computer on your kitchen table, with the savings you set aside to start a business of your own. //

America is the envy of the world: not because its government is great -- but because its people are great. Because the American people are builders who dream, and dreamers who build.

We need a government that understands that fundamental fact. A government that knows when to help -- and when to get out of the way. My program -- my Agenda for American Renewal -- will make the next American Century a new American Century, a time of peace and prosperity for all. //

Thank you once again for this warm welcome -- and may God bless the United States of America.

# # #

2

McGroarty/Aarhus
September 22, 1992
10:00 a.m.
[ncsb]

PRESIDENTIAL REMARKS: SMALL BUSINESS INITIATIVES EVENT
GREENSBORO, NORTH CAROLINA
SEPTEMBER 23, 1992
TIME: TBD

Thank you, --------, for those kind words.

[Acknowledgements, local color, etc.]

I've come here to Greensboro to talk about small business -- to drive home the fact that businesses that started out like Joseph Koury's [~~[event site?]~~] generate the hope and the pride and the jobs that hold America together. //

America's economy is working its way through a period of profound change. You see it here in North Carolina, just the way you do all across the country. Many of our larger companies have retrenched and restructured -- and I know those changes have been difficult for many working Americans. But America's small businesses have shown staying power -- creating new products by the thousands -- and new jobs by the millions.

Let me give you one statistic that will drive home just what I mean. In the 1980s, the number of workers employed by Fortune 500 companies actually dropped. But in that same decade, small businesses boomed -- adding 12 and a half million new jobs. //

The simple fact is, small businesses are often the first to adapt to a changing world -- the first to turn change to advantage -- the force at the leading edge of economic recovery.

That's why it's critical that we do all we can to strengthen

small businesses -- remove obstacles that stand in their way, and create incentives that unleash America's entrepreneurial genius.

Helping small business reach for its dreams is key to my Agenda for America Renewal. / I've set a goal -- to make America the world's first $10 trillion dollar economy in the early years of the 21st Century. And when we get to that goal -- not if, but when -- it won't be the chairmen of the Fortune 500 we have to thank -- it will be the men and women who run the small businesses that power America, the men and women of ~~[local reference]~~ the Triad Business Community. //

Right now, small business employs over half our workforce. Small business creates two-thirds of the new jobs in America. Small business is a hothouse for innovation, risk-taking, new ideas -- the engine of entrepreneurial capitalism that pulls this economy forward. //

I know -- because I've been there. I've run a small business -- built it from the ground up, with a lot of help from partners and employees. I know what it's like to sweat out a deal, shop for credit, stay up late worrying how you're going to meet the next payroll. And I've even had the ulcers to prove it.

And let me tell you: I happen to think that meeting a payroll isn't a bad qualification for being President of the United States. //

The contrast with my opponent couldn't be clearer. He comes at small business from a different direction. My opponent has never worked for a business -- never. When he wasn't in

government, he taught lawyers. He even came to Washington -- to the Congress -- for his summer jobs. [[That's where he gets his international experience, by the way: Two summers in the mailroom of the Senate Foreign Relations Committee.]]

So it shouldn't surprise you that when it comes to the economy, my opponent thinks government should lead -- with planners whose idea of running a business is to do whatever the American Political Science Association thinks should be done. //

Now I believe government can play a role in helping small business. But it is a role of support -- not the lead. Not to put a new bureaucracy of government planners in the business of picking winners and losers -- but to help America do what it does best: to make way for the American entrepreneur, the little guy with the big idea.

I've put together a program to strengthen small business -- a program that will work, because it understands how small businesses work.

I'm releasing the full program today in a report I call Encouraging Entrepreneurial Capitalism. That's a fancy name for the small business savvy America is known for. Some of the ideas are ones we've been pushing for for years -- some are new: All of them are solid, sensible ways to strengthen small business.

Here's what it does:

First, our program will help small businesses get started. / ((~~Here's the fact: Almost half of all~~ Many new businesses literally begin at home -- when entrepreneurs convert their own "nest eggs"

into capital. Germany doesn't tax capital gains at America's punitive rates -- neither does Japan. If we want to compete and win, it's time to reward the risk-takers who turn their dreams into tomorrow's jobs. It's time to cut the tax on capital gains. //

Because we know you've got to crawl before you can walk, we're also helping small businesses with an aggressive micro-loan program -- from a few hundred dollars up to $25,000 dollars at the critical early stages when new ventures are most vulnerable.

That's how we'll help entrepreneurs get their ideas off the ground -- and their businesses up and running.

Part two of our small business program is to help existing small businesses find credit. / Best idea in the world can't work without capital. Entrpreneurs can't do it alone. They need credit to set up shop and expand.

Right now, you and I know -- the credit crunch has hit small business hard. That's why we've been working with bankers and regulators across the country to ease the crunch -- free up the flow of credit to companies like yours. // Our regulatory reform, for example, by the Security and Exchange Commission has made it easier for small businesses to raise capital through stock offerings -- to help growing firms get from Main Street to Wall Street. /

And I've had the Small Business Administration working overtime to help credit-starved businesses. This year alone,

we've increased by more than 50 percent the loan guarantees offered through SBA -- more than $6 billion for men and women with good ideas -- who want to turn those dreams into jobs. //

Small businesses is one of the most effective ways to brong minority Americans into the economic mainstream. That's why just yesterday, Pat Saiki of the S.B.A. announced our plan to streamline our Minority Small Business program to bring economic opportunities to thousands of new firms in cities and states across America.

But today, I want to take our efforts one step farther. I am proposing a 5-year, $20 billion dollar small business initiative -- to lift tax and regulatory burdens off the back of small business, and cut the costs of capital.

My new initiative will smooth the way for small business start-ups -- by allowing entrepreneurs to expense $2500 dollars of their start-up costs. And it will increase the current small business expensing limit from $10,000 to $25,000 dollars.

It includes steps to simplify tax laws so that most small businesses can file a one or two page tax return. / It will eliminate all capital gains on newly-issues small business stock -- and knock down the corporate tax rate on small businesses from 15 to 10 percent. //

Third, we've got to help small business hire new workers and increase productivity. / Small businesses -- like every employer in America -- will benefit from education reforms like America 2000 -- from our expanded job training initiatives / from

enterprise zones / and legal reform that ends the sky's-the-limit lawsuits that can drive a small business into bankruptcy. But even all of that is not enough. We've got to target special assistance for small business.

That's why I support aggressive new export promotion programs to help small businesses crack new markets abroad, and create new jobs here at home. / You see, in the 21st Century, America must be not just a military superpower, but an economic superower -- an export superpower. Right now, a fraction of American companies -- 15 percent -- account for almost all of America's exports. We've got to open new markets for America's small businesses -- tap their explosive potential to make new customers not just down the street, but around the world.

Tim Adams

Small business is already helping us pioneer new worlds -- lead the way in the bio-technology revolution. That's one key reason I've ordered a 100% increase in federal R&D funds to help small businesses generate the technologies of tomorrow.

Fourth, we've got to free small businesses from the tangle of red tape and regulation. [[NORTH CAROLINA EXAMPLE OF EXCESSIVE REGULATION STRANGLING SMALL BUSINESS.]] That's why, in January of this year, I ordered a freeze on federal regulations. It's the reason I've gone forward without waiting for Congress to institute a series of tax reforms -- to streamline and simplify small business's tax reporting. You work long and hard for your success. You should spend your time doing business -- not doing paperwork.

And we've drawn the line against a Congress that's learned to say, "why pass a law -- when you can saddle America's businesses with another new federal mandate -- and let them figure out how to pay for it."

Fifth and finally, we've got to help small business provide for its workers. / To help the 15 million Americans who are self-employed, I want to raise the deductible for health insurance from 25 to 100 percent. I want to reform health insurance -- give small companies the same advantage bigger companies get when they shop for health care coverage, by encouraging small companies to pool together to buy insurance.

We want to create tax incentives to help small businesses offer their employees family leave -- not simply slap a mandate on small businesses' back. And we want to expand small businesses' ability to offer the portable pensions people will need in a dynamic economy. //

Taken together, that's a strong package -- a comprehensive program -- to give real-world help, right now, to the small businesses that make this economy grow. //

What about my opponent? What's his plan for small businesses? Well, the difference couldn't be sharper.

You see, I see small business as the backbone of the American economy. Mr. Clinton sees small business as the goose that lays the Golden Eggs. //

Bill Clinton's got big plans for bigger government -- and to pay for it, he's got a tax plan for almost every day of the week:

Start with $150 billion in new taxes. A health care plan that will lead to a 7 percent payroll tax to finance the government-takeover of our hospitals. Add another payroll tax for training -- and a tax on foreign companies operating here in the U.S. and employing American workers. //

I tell you, it's taxing just talking about it.

Now, my opponent says, yes, he wants to raise taxes -- but only on the top 2 percent. Standard "soak the rich" rhetoric -- but what he <u>won't</u> tell you is this: two out of every three people hit by Bill Clinton's tax hike would be <u>small business owners</u> or family farmers. These folks aren't <u>millionaires</u> -- they're <u>Mom and Pop, Inc</u>. //

Take a look at what Bill Clinton's tax plan would mean for small businesses right here in North Carolina. / If you're like the typical small business, you operate with a profit margin of about 2 percent. Your market is too competitive for you to pass on costs by raising prices -- you've already cut costs to the bone.

So when Bill Clinton's new taxes kick in, you've got a tough choice. His payroll taxes alone amount to 4 to 5 percent of your operating expenses. That's your profit margin -- and then some.

So here's your choice: you can board up the windows -- or you can get out the pink slips.

I want to invite Bill Clinton and his advisors to follow along for a little "business math." Just over half of all small businesses with between 10 and 20 employees have annual sales of

$500,000 to one million dollars. A 2% profit margin -- in the best case -- gives that business a $20,000 profit.

Now, Bill Clinton's new taxes would cost that company between $46,000 and $56,000 dollars -- so after you've handed over your profit to the government, the only way to pay the rest of the tax is by putting someone out of work. //

In the case of my example, that's 2 or 3 employees -- 2 or 3 people out of a less than 20-person company who lose their jobs.

Think about that. Those 2 or 3 people aren't just numbers -- names on a payroll spreadsheet. They're real people -- friends and neighbors -- men and women with families to feed, mortgages to pay. //

Now, if that 2 or 3 still doesn't sound like much -- keep this in mind. In North Carolina alone, 25% of all workers -- 638,000 people -- work in companies the same size as the one in my example, companies that will be crippled by Bill Clinton's new taxes. Across this state, North Carolina has thousands of businesses with less than 10 employees. More than 3000 grocery stores. More than 2500 small furniture stores. 4 out of every 5 companies in the building trades. Book stores and beauty shops / laundries and video stores and TV repair shops: The list goes on and on. For them, Bill Clinton's tax plan means one thing: Misery on Main Street. //

America is a nation of small businesses -- and those small businesses will take a big hit under Bill Clinton's tax plan. My opponent couldn't do more damage to America's entrepreneurs if

he'd declared war on small businesses. / Well, if you're like me, you've got to say: Small business shouldn't be big-government's piggy bank. //

Take a look for a moment my approach -- and the contrast with Bill Clinton.

I want to strengthen small businesses across America by lowering taxes -- increasing R&D.

Bill Clinton wants to tax small businesses and small business owners so he can give big government a raise.

I want to cut red tape, eliminate excessive regulation and reform the ruinous legal system that's crippling this economy and killing small businesses.

Bill Clinton wants to saddle small business with new mandates, and he's told the trial lawyers of America he wouldn't take away even one little loophole.

How about health care / job training / family leave?

I want to reform our health care system -- extend coverage to all Americans, use the market to drive costs down while keeping quality up. / Bill Clinton wants a payroll tax to finance the government-takeover of health care.

I want to give displaced workers a voucher to uby the training they want. Bill Clinton? He wants to put a payroll tax on workers.

I want to use tax relief to encourage businesses to provide workers family leave. My opponent? Well, you see the pattern.

Bill Clinton's got a "Punt, pass and kick" plan: // Punt

the problem over to business. Pass the costs along. And kick the American worker -- right where he carries his wallet. //

You've got a choice in this election. A choice between two two different philosophies -- two different directions to take this country.

Bill Clinton puts his faith in the so-called "best and brightest:" In the old Oxford crowd that believes government knows best.

Well, I put my faith in the American people -- I want to see you keep control of the decisions that really matter in life. And when Bill Clinton says "government knows best" -- I say: <u>You know better</u>. //

Let me sum it up this way: Bill Clinton is <u>wrong for America</u>. And you know I'm right. //

My Agenda for American Renewal does what's good for small business -- what's good for American jobs and American workers -- <u>what's right for America</u>. //

Here's what Bill Clinton and the "government first" crowd just don't understand: Government can <u>print money</u> -- but it can't <u>create wealth</u>. The great ideas that make this economy grow don't begin in the marbled halls of some federal building back in Washington. More great ideas -- more of our GDP -- begins at a basement workbench, at the computer on your kitchen table, with the savings you set aside to start a business of your own. //

America is the envy of the world: not because its <u>government</u> is great -- but because its <u>people</u> are great. Because

the American people are builders who dream, and dreamers who build.

We need a government that understands that fundamental fact. A government that knows when to help -- and when to get out of the way. My program -- my Agenda for American Renewal -- will make the next American Century a new American Century, a time of peace and prosperity for all. //

Thank you once again for this warm welcome -- and may God bless the United States of America.

# # #

Work in: Arkansas' record on small businesses? Taxes on?

CLOSE HOLD DRAFT

Encouraging Entrepreneurial Capitalism:
Strengthening Small Business

I. Introduction: The Challenge

Historians will record the twentieth century as the American Century. It was in this century that the United States first became actively engaged around the world. Throughout this century, we have sought to advance two ideals that have served us well for more than two hundred years.

Today, in country after country, given the choice, people have chosen these two ideals -- democracy and free enterprise -- as the path they want to pursue. We have just completed the greatest mission in the lifetime of our country -- the triumph of democratic capitalism over imperial communism.

Despite these victories in the marketplace of ideas, many Americans are anxious about the future. Sluggish economic growth in the United States, Europe, and in Japan has fueled many of these concerns.

We sense the epic changes at work in the world and in the economy, the uneasiness felt in the democracies who have served as our partners.

For America to be safe and strong, we must move confidently to meet the defining challenge of the 1990s: to win the economic competition in an integrated global economy, and provide Americans with prosperity and economic security. We must be a military superpower, an economic superpower, and an export superpower.

My agenda for renewal asks that we look forward -- to open new markets, prepare our people to work, strengthen our families, save and invest so that we can win. Our renewal depends on economic growth -- but growth not for the few at the expense of the many, not for the present at the expense of the future.

In our country we have always prized an entrepreneurial capitalism that grows from the bottom up, not the top down; a prosperity that begins on Main Street and extends to Wall Street -- not the other way around.

One of our great strengths is our capacity to innovate, to adjust, to change, to redeploy our resources to their most efficient uses. The economic future will belong to those nations most able to innovate and adapt. Those burdened by

bigness often sacrifice quickness and agility for size.

Entrepreneurial capitalism involves creating a climate that encourages creativity, rewards innovation, promotes flexibility, and requires competition. Small businesses must play a crucial part in America meeting the challenge of an integrated world economy.

II. The Context: Role of Small Business in the Economy

Small business has long played an important role in the U.S. economy. Small businesses, those businesses with fewer than 500 employees, today employ more than 50 percent of the U.S. work force.

They account for 44 percent of all sales and generate 39 percent of the GDP. Thirteen percent of our labor force -- 15.6 million workers -- are self-employed.

Small businesses are a crucial element of our nation's manufacturing sector. In 1991, 98 percent of all manufacturing firms were small businesses -- 83 percent of all manufacturing firms employed fewer than 50 workers.

Last year, 63 percent of all manufacturing jobs were located in small businesses -- close to one in every five (18 percent) manufacturing jobs were in firms that employed less than 50 workers. Between 1985 and 1991, small manufacturers (less than 100 workers) created over 200,000 net new jobs.

III. Recognizing Our Strengths

Small business is one of the strengths of the U.S. economy. They contribute to our economic well being in four important respects.

First, our success in creating jobs is in large part attributable to the strength of our small businesses. Small business is the engine that propels the economy.

- Small businesses create two thirds of our new jobs.
- During the 1980s small businesses added about 12.5 million additional workers, while employment in Fortune 500 companies actually declined.
- From 1988 to 1990, small businesses created more than 3 million jobs -- the entire net increase in the nation's job growth for that period in the private, non-farm sector.

Second, small businesses are a catalyst for innovation -- the driving force in a dynamic economy. Small firms produce about 2.4 times as many innovations per employee as large firms. They have been responsible for over half (55 percent) of the country's technical and industrial innovations since the second World War.

Third, small businesses will enable the U.S. to become an export superpower. Forty percent of all U.S. exporters are small businesses. Every billion dollars in exports creates 20,000 new jobs.

Fourth, the dynamism of small business has provided an avenue of advancement for minorities and women. During the 1980s, the number of Black-owned businesses grew by almost 40 percent, and the number of Black-owned manufacturing establishments more than doubled from 1982 to 1987.

Likewise, the most recent Census bureau statistics show more than 422,000 Hispanic-owned businesses nationally, an increase of 81 percent from 1982. The rate of growth of Hispanic-owned businesses is almost six times the rate for all businesses. Between 1982 and 1987, the number of businesses owned by Asian Americans and Pacific Islanders rose 89.3 percent.

Women are starting businesses at twice the rate of men. Thirty percent of all small businesses in the U.S. are owned by women. If the trend continues, nearly 48 percent of all small businesses will be owned by women by the turn of the century.

IV. Helping Small Businesses Get Started

My Agenda for American Renewal calls for measures to encourage the entrepreneurial spirit of our private businesses. We must pursue tax, economic and social policies that give incentives for entrepreneurship, rather than discouraging it.

This is common sense. When government permits individuals to keep the rewards of their success, they will keep trying until they succeed. But when government exacts a higher price for entrepreneurship, it undermines the incentive for individuals to start new businesses and create jobs.

That is why I want to cut the capital gains tax and index it for inflation. But in the case of small businesses, I propose to go one step further and cut the tax on capital gains from small business start-ups to zero. These changes would permit small business owners to keep the economic rewards they have earned in return for the risks they have taken, giving them a greater incentive to undertake those risks.

Some potential entrepreneurs are deterred by the high initial costs of starting a company. Under our tax laws, they can only deduct those expenses over many years. I propose changing the tax laws to allow individuals to deduct up to $2,500 of those start-up costs in the first year, when those costs hit small business owners the hardest. ($0.5 billion)

These economic incentives should help. But sometimes direct financial assistance is required, particularly for those who may be unable to obtain credit to start a business from traditional financing institutions.

In order to fill that need, the Small Business Administration started a $15 million program earlier this year to give unsecured loans in small amounts -- up to $25,000 -- to budding entrepreneurs or small businesses that would like to expand.

Finally, my Administration is seeking new ways to help those who might wish to start a small business. The Small Business Administration and the Department of Housing and Urban Development, working in partnership, recently agreed to start a pilot program in Atlanta to assist public housing residents and other low-income residents in the neighborhood to start their own businesses.

Under the program, the SBA and HUD provide managerial, technical and financial assistance to residents who are interested in starting or expanding a business to provide services for the housing project or its residents, including maintenance and custodial services, appliance repairs, security services, lawn care, child care or transportation services.

V. Helping Small Businesses Get Access to Credit and Reduce the Cost of Capital

Small businesses need adequate access to credit. Entrepreneurs can't do it alone. They need credit to set up shop and then to expand. They are not looking for a handout, but a chance to give a good return on investment.

This year we have authorized a record $6 billion in loan authority to permit the Small Business Administration to guarantee small business loans. This is 50 percent above the 1991 level.

I know that many small businesses have had a tough time borrowing. We have been fighting the credit crunch in every possible way. First, we worked with the Federal Reserve Board to lower interest rates. Then we met with nearly every bank regulator in the country, and told them that banks must be able

to lend to good borrowers. We made thirty separate regulatory changes to remove federal barriers to sound lending. Government overregulation should not stand in the way of creating new businesses and jobs.

We took the message to the banks as well. Last week Secretary Brady met with bank CEOs from around the country and urged them to do more lending and less investing in government securities. Banks must live up to their responsibilities. Savings must be plowed back into the community to create jobs.

We have directed bank examiners to conduct their valuation of real estate based on the ability to generate income, not on its liquidation value.

Then we took the message to Wall Street. Working with the Securities and Exchange Commission, we made it easier for small companies to sell shares by eliminating the paperwork requirements that drive up the cost of getting investors.

Winston Churchill once said to America: "Give us the tools and we will finish the job." This is the cry of entrepreneurs. We hear your voice. Every day we are pushing aside the barriers that stand in the way of building your business.

If small business is to accelerate its role as an engine for creating jobs we must bring down the cost of capital by reducing costly tax and regulatory burdens. Our task is two fold: reduce capital costs directly and reduce the paperwork burden that fall so heavily on small businesses.

I am proposing a five-year $20 billion initiative to reduce the cost of capital for our small businesses. This initiative includes six elements:

- Reducing the corporate tax rate for small businesses from 15 percent to 10 percent. ($5.5 billion)
- Increasing the current expensing limit from $10,000 to $25,000; ($8.4 billion)
- Granting Alternative Minimum Tax relief for preferences arising from active participation in a small business; ($1.7 billion)
- Eliminating capital gains taxes on newly issued small business stock; ($0.7 billion)
- Allowing small businesses to elect inflation-adjusted inventory accounting rules; ($2.6 billion)
- Exempting small business from uniform capitalization and long-term contract rules. ($0.3 billion)

- Enhancing and simplifying pension rules for small business. ($0.9 billion)

VI. Helping Small Businesses Expand Employment and Increase Productivity

Small businesses today face a new competitive environment -- challenged not only by competitors in their neighborhood, their city and throughout the Nation, but also by competing firms from around the world. In the new global economy, each of our companies -- from the largest to the smallest -- must have the tools they need not only to compete, but to win.

The ability of small businesses to grow and compete in the global economy depends on their ability to innovate, increase productivity, attract and retain highly-skilled workers and find new markets for their products. The Federal government can do its part by encouraging investment in R&D, supporting efforts to improve the quality of our workforce, reforming our legal system and opening foreign markets for American products and services.

A. Supporting Innovative Research

In order to be the world's economic leader tomorrow, we must invest in research and development and foster new technologies today. That is why I want to make the research and experimentation tax credit permanent. This credit, which was adopted in 1981 to encourage increased private R&D spending, has been renewed periodically for a year or two at a time. It is time to create predictable rules small businesses can count on when making R&D investment decisions by renewing it permanently.

Our Small Business Innovation Research (SBIR) program fosters the pioneering spirit of small businesses in research and development activities. Under the SBIR program, eleven major Federal agencies set aside a percentage of their R&D funds for contracts with small firms.

Under my Administration, the portion of the Federal R&D budget set aside for small business has doubled from 1.25 percent to 2.5 percent. Since the program began ten years ago, more than $2.2 billion in Federal R&D funding has been directed to small businesses.

One of the goals of the SBIR program is to encourage small firms to develop products and technologies that have commercial applications. At least one in four SBIR award winners has achieved commercial sales or expects that commercial sales will

occur.

B. Improving the Quality of Our Workforce

In the 21st Century, our greatest national resource will be our people. Materials, machines, and methods are also important, but it is the American worker who will remain the key to our economic security. Since the workplace of the 21st Century will be constantly changing, we need a workforce that is skilled and adaptable.

Those industries showing the fastest rate of growth in employment in the decade between 1977-1987 included many small-business-dominated industries that require highly-trained workers: engineering, architectural, business and recreation services and automotive repair. Those growing industries with a skilled workforce will have an advantage in the new global marketplace.

That is what my American 2000 program is all about. It includes four crucial elements. The first is accountability. Our students can't beat world class competition if they can't meet world class standards. We are moving ahead with the development of these standards in math, science, English, history, geography, arts and civics. And we need voluntary national achievement tests to measure the progress of our students in meeting these standards.

The second is innovation. We need break-the-mold New American Schools that will transform our classrooms by developing and implementing the latest in technology and ideas for teaching our students.

The third is flexibility. We need to give schools the flexibility to become educational entrepreneurs --to figure out the best ways to motivate our children, use technology, include parents and involve new types of teachers.

The fourth is competition and choice. We must give parents the ability to choose which school their children will attend -- public, private or religious.

We must prepare workers for the prospect of changing jobs and learning new skills many times throughout the course of a productive life. In January 1992, I announced a plan to streamline the Federal job training system through "one-stop shopping" in every community. Experience has demonstrated that the most effective training and placement services are those closely developed with local employers through private industry councils. That way the training is designed to develop skills that employers know they will need.

My expanded job training proposal has three key features: (1) universal coverage, so all dislocated workers will have

access to basic transition assistance and training support; (2) skill grant vouchers of up to $3000 to help meet the costs of adding new skills and training; and (3) a tripling of the resources currently devoted to training and worker adjustment, an allocation of $10 billion over five years.

I have also proposed a specially-targeted Youth Skills Initiative. The Initiative includes creation of a new Youth Training Corps to provide economically and socially disadvantaged young people with intensive vocational training, and a National Youth Apprenticeship Program to provide skills training for young people not planning to attend college.

C. Reforming Our Legal System

America has suffered a civil litigation explosion. Over the past 30 years, Federal lawsuits have almost tripled. Instead of being fast, fair and affordable, our civil justice system is slow, expensive, and putting us at a global disadvantage.

The cost of litigation affects businesses of every size. Long delays in resolving disputes waste valuable judicial resources, force early settlement by those who cannot afford to wait, discourage those who have meritorious suits, and encourage frivolous suits by those who hope to leverage unjust settlements. High punitive damage awards are passed on to consumers through higher prices, job cuts, higher insurance, and fewer new products.

My product liability reform legislation confronts the trial lawyers head on. I want to stop wide variation among states' product liability rules; stop important products from being kept off the market; stop excessive litigation costs with more money going to lawyers than to injured consumers; cut excessive insurance rates; and end excessive consumer costs.

My "Access to Justice Act of 1992" is intended to restore fairness and efficiency to the nation's civil justice system through: alternatives to Federal civil trials such as alternative dispute resolution; incentives for pre-litigation settlement, including pre-complaint notification; and a "loser pays" rule requiring the loser to pay the winner's legal fees in suits involving Federal diversity jurisdiction.

We also need to continue our work with the States to encourage fundamental change at the State and local level.

D. Expanding and Opening Foreign Markets

America is an exporting nation. In 1991, we regained the position of the world's number one exporter. Even more impressive, a relatively small percentage of American firms are

responsible for most U.S. exports. Fifteen percent of U.S. firms account for nearly 85 percent of U.S. exports.

Small American businesses represent an immense, largely untapped source of export capacity. Today, small businesses have begun to see the potential that lies in selling their goods and services to eager markets abroad. My Administration has been active in making that dream a reality.

Through the programs of the Small Business Administration (SBA) and the Department of Commerce, we have provided information, counseling, training and even financing to thousands of small businesses who are dealing for the first time with the challenges of the international marketplace. The Department of Commerce has held over thirty international trade conferences and seminars across the country to work with small businesses, to provide information they need to market their products overseas, and to identify U.S. government programs and sources of financing that can help them get started. In addition, the Commerce Department's Matchmaker program has introduced hundreds of small businesses to foreign markets, arranging for them to meet directly with potential foreign buyers for their products.

The SBA has encouraged small businesses to take advantage of its Export Revolving Line of Credit program. This special pilot project provides a revolving working capital line of credit to help small manufacturers bridge the gap between receipt of orders of their goods and receipt of payment. Export loans under the Line of Credit program jumped from $4.85 million in 1990 to over $26 million in 1991. In the first three quarters of 1992, the SBA extended $28 million in loans to small exporters under this program.

All SBA loans to exporters increased from $42 million in 1990 to $123 million in 1991, with an additional $195 million in loans during the first three quarters of 1992.

Of course, it is the private sector that must lead the charge in taking advantage of opportunities to market American products abroad, but where government can help in opening markets and making those first steps a little easier we will continue to do so.

E. Creating Enterprise Zones

Our inner cities and rural areas suffer from a lack of economic opportunities for their residents. In order to entice individuals to establish small businesses in these areas, I have proposed creating enterprise zones. Workers employed by enterprises in the zone would be eligible for a tax credit on wages. Inner city entrepreneurs starting businesses and small investors who start or purchase businesses located in enterprise zones would be entitled to deduct up to $50,000 on

their personal income taxes each year, and would not be taxed on capital gains resulting from their investment.

These measures will promote entrepreneurship and job creation in economically distressed urban and rural communities.

VII. Clearing Away the Regulatory Maze

If small businesses are to thrive and prosper, they must be free to compete without the burden of unnecessary and restrictive Federal regulation. We are working to create a business environment in which regulations addressing legitimate health and safety concerns are balanced with the need to strengthen economic growth and job creation.

In my State of the Union Address last January, I announced, and have since extended through August 28, 1993, a regulatory reform initiative which places a moratorium on new Federal regulations that stifle economic growth. I also instructed Federal agencies to look for ways to modify existing regulations that impose a special economic burden on small business.

In addition, we have undertaken several reforms to reduce the costs and burdens imposed on small businesses in complying with the Federal tax system.

A. Reducing the Costs of the Payroll Tax System

Last May my Administration announced several initiatives that will reduce administrative costs for the more than five million employers who must report employment taxes. The reforms will:

- Simplify the Payroll Tax Deposit System. The Internal Revenue Service (IRS) and Department of the Treasury will publish a proposed regulation that will enable as many as 75 percent of all employers to make payroll tax deposits once-a-month, replacing the current rules which require many employers to make deposits as often as twice a week. Larger employers can deposit payroll taxes on a fixed day of the week, depending on the payroll date.

  These simplifications will reduce substantially the costs to employers, particularly small businesses, of complying with payroll tax regulations. In addition, these changes are expected to reduce payroll tax penalties by more than 20 percent.

- Simplify the Reporting of Federal Employment Taxes. The IRS is developing a simplified new form, Form 941EZ, that is expected to reduce substantially the compliance burdens of more than 3.5 million small employers. The new form, which the IRS anticipates will be available by the first quarter of 1994, will eliminate information that is ordinarily relevant only to large businesses.

  The development of Form 941EZ follows other IRS initiatives designed to simplify forms for small businesses. In 1990, the IRS introduced a simplified version of the form for reporting Federal unemployment taxes. This new form is now used by approximately 700,000 small employers at an estimated annual savings of up to 10 million taxpayer hours.

- Enable Employers to Deposit Payroll Taxes Electronically. Last year, employers filed over 80 million paper coupons to accompany Federal payroll tax deposits of almost $850 billion. The IRS is testing a program to allow employers to make payroll tax contributions directly to a designated Treasury account. This experimental, voluntary program has been made available to employers in South Carolina, Florida and Atlanta, Georgia.

- Establish a Single Wage Reporting System. Traditionally, employers must file employment tax forms for each employee with the IRS, the Social Security Administration, and State and local tax agencies. The IRS, Social Security Administration and the Department of Labor recently agreed to develop jointly a new Single Wage Reporting System.

  The new system would require only one filing, thereby saving substantial administrative costs. The Federal agencies will work closely with State organizations in refining and implementing this system.

- Offer an On-Line Tax Identification Number Matching Service. The IRS plans to establish a service to allow employers to verify employees' tax identification numbers (such as a social security number) through a telephone call. This service will eliminate an employer's need to engage in burdensome paperwork and correspondence with the IRS. The IRS anticipates that this program will be made available to all employers in the 1993.

B. Reducing Other Tax-Related Burdens

We are also working to reduce the burdens on small businesses in complying with other aspects of the Federal tax system. These reforms will allow:

- Deductibility of Preparation Fees. On April 1, 1992, the IRS released a ruling allowing more than 16 million sole proprietors, including farmers, to deduct business-related tax preparation fees as a business expense rather than as a limited itemized deduction.

- Joint Federal-State Filing. The IRS is working with States on a pilot program for the joint electronic filing of Federal and State tax returns. In 1992, the IRS implemented this program an a State-wide basis in South Carolina and on a more limited basis in six other States. The IRS expects to add additional States during the coming year.

- Participation in Educational Initiatives for Small Businesses. In the past year, the IRS has informally contacted over 150,000 small businesses having difficulty complying with Federal tax deposit requirements. The IRS is now working with these taxpayers, outside the formal audit and enforcement context, to address compliance concerns. In addition, during Fiscal Year 1991 the IRS conducted over 2,400 Small Business Tax Education Workshops and seminars which were attended by more than 80,000 executives.

VIII. Helping Small Businesses Provide for Their Workers

In order to attract and retain good workers, small businesses need to be able to afford to provide the benefits that will give their employees economic security. Three key areas of concern to many workers are health benefits, family leave policies and pension benefits.

A. Affordable Health Care for Small Businesses and the Self-Employed

Our current health care system provides high quality, high-tech medicine, but at an unacceptable price: spending has increased at a rate two to three times the rest of the economy; thirty-four million Americans have no health insurance and millions more are afraid to change jobs for fear of losing

their health insurance.

My comprehensive program to reform our health care system includes provisions that encourage small businesses to reduce their health insurance costs by pooling their purchasing power. By joining together to form Health Insurance Networks, small employers can have the same market clout and market sophistication of the biggest players in the health care marketplace. Group purchasing can reduce health insurance costs by as much as 16 percent through economies of scale, lower administrative costs and greater leverage to negotiate better rates with insurers.

Small employers also face the possibility of skyrocketing insurance premiums, or the inability to obtain any health insurance at all, if even one employee is seriously ill. My plan guarantees insurability so that people with "preexisting" illnesses cannot be denied a job or health coverage on the job.

Our health care plan guarantees affordable coverage through a two-phase process. In the short term, we will limit the difference in premiums that an insurer may charge to groups with different health risks, so that no employer has to pay astronomical insurance premiums. In the next phase, we will create risk pools both for small businesses and for individuals and families receiving tax credits for health insurance. Health plans insuring a sicker than average population would receive a net transfer from the risk pool while other insurers will be net payers into the pool.

My plan will also benefit the self-employed, permitting them to deduct 100 percent of their health care insurance premiums as opposed to the 25 percent they currently are permitted to deduct. ($5.0 billion) This is fair and treats them similarly to other businesses.

I believe we can provide access to affordable health care for all Americans, while preserving choice for patients and their families in selecting doctors, hospitals, health care programs, and employment. My approach relies on the private sector to deliver health care services. But I would make the market work for us by enhancing competition, which will cut costs.

B. Incentives for Family Leave Policies

A growing number of families have two wage-earners. As a result, it is more difficult for individuals to balance the demands of their job with the need to care for a seriously ill or injured family member, or to take time off to have a child or adopt one.

Employers may face significant costs from lost production,

lost business opportunities, or other costs as the result of extended employee absences. These costs are particularly high for small and medium businesses that may not be able easily to shift employees to cover for the absent worker or to hire a temporary replacement. These smaller companies are also more likely to experience severe economic consequences if they do not quickly replace absent workers.

Since employers frequently must place limits on employee absences due to the economic costs of providing leave, some employees find themselves faced with choosing between their employment and the serious medical or personal needs of their families.

I propose to provide tax incentives to encourage businesses that employ fewer than 500 employees to adopt flexible leave policies related to childbirth, adoption or serious family health problems. Small employers who provide family leave to their employees would be eligible for a tax credit of 20 percent of the cash wages that the employer provided (or would have provided) to the employee during the period of family leave, up to a maximum of $100 a day. The maximum credit per employee would be $1,200 per year. The employer must continue to provide health benefits and other employment protection and benefits to employees on family leave and must provide leave on a nondiscriminatory basis. ($3.1 billion)

C. **Retirement Security**

Many Americans rely on their pension to provide them with a secure source of income during their retirement years. But many employees of small businesses are not so fortunate. Only 24 percent of small firm employees have pension coverage; the rest -- some 26 million individuals -- have no pension at all.

Even those employees with pensions often lose accrued benefits as retirement income when they change jobs prior to retirement age. Current law gives workers the incentive to cash in their benefits -- get a lump-sum payment -- rather than to roll the money over into another retirement plan or an IRA.

I am determined to turn those incentives around -- to make it easy for workers to make their pensions portable and take the pension benefits they have earned in one job to the next. Earlier this year, I was proud to sign into law a bill that permits workers to transfer their accrued pension benefits from their old job directly into an IRA or their new employer's pension plan, if that plan accepts transfers. The new law also imposes a 20 percent mandatory withholding penalty on lump-sum payments of pension benefits that are not transferred directly to a new retirement account. By encouraging preservation of retirement savings, we can ensure a more secure future for retiring workers.

I also want to help the millions of employees without pensions by creating a new, simplified retirement program for small businesses, and by allowing State and local governments and tax-exempt organizations to establish 401(k) retirement plans. At the same time, we will simplify the rules for administering retirement plans. By reducing administrative costs, more small companies and organizations will be able to afford to provide pensions for their employees.

IX. Two Paths

We stand at a crossroads where two paths diverge in markedly different directions. They represent competing conceptions of the course our country should pursue.

Taxes

One path promises strengthening America's small businesses through reducing the burden of taxes in order to stimulate investment, research and development, and economic activity. It would increase expensing for investments in equipment, help businesses get started, and reduce capital gains to encourage risk-taking.

The other path relies on substantial increases in taxes on small business -- taxes on so-called "high income" individuals, three quarters of whom have income from small business activity or family farms; payroll taxes to pay for health care; payroll taxes for training, all of which would drain profits, reduce investment, and restrain the growth of jobs.

Regulatory Burden

One path promises a comprehensive program to simplify and ease the burden of regulations on small businesses and to eliminate those that are unnecessary. It would modify existing regulations that impose a special economic burden on small business while fending off expensive new mandates. It would reform our product liability laws and civil justice system to reduce the cost of insurance to small businesses and the hidden tax of needless litigation.

The other path relies on government mandates and regulations as the appropriate means for extensive government intervention in the economy and accepts our current liability laws and civil justice system as a inevitable consequence of doing business in America.

Health Care

One path promises assisting those who work for small businesses by helping these businesses secure access to affordable health insurance, by permitting the self-employed to deduct the health insurance premiums they pay as other businesses do, and by providing credits and deductions for those who need it in order to purchase health insurance.

The other path relies on a mandated play-or-pay health care scheme that effectively amounts to a doubling of the payroll tax for most small businesses and that would quickly cascade into ever more government provided health care.

Family Leave

One path promises to expand family leave to small businesses by providing tax credits to offset the costs of family and medical leave while leaving decision making and responsibility to employers and employees.

The other path relies on a government mandate that excludes employees of the smallest businesses and imposes a hidden tax on employees of medium-sized businesses.

Access to Credit

One path promises a concerted effort to keep interest rates low and to facilitate the flow of credit to small businesses. It would reduce the cost of capital to small businesses so that they can make needed investments to expand their capacity and increase their productivity.

The other path relies on government direction of additional resources to make investments in selected industries.

Worker Training

One path promises to revolutionize education and job training while providing worker adjustment assistance for all dislocated workers.

The other path would mandate worker training while imposes what amount to a 1.5 percent payroll tax on small business.

At bottom we face a choice between change that trusts people and change that relies on greater government intervention in managing and directing economic activity and resources. It is a choice worth considering carefully as we prepare for the next American century.

Rec'd from R. Sonka
9/19/92 2pm

Encouraging Entrepreneurial Capitalism:
Strengthening Small Business

I. Introduction: The Challenge

Having won the Cold War and successfully championed democracy and free enterprise around the globe, we now face a great challenge -- how to compete successfully in an integrated global economy, and provide Americans with prosperity and economic security.

II. The Context: Role of Small Business in the Economy

Small business has long played an important role in the U.S. economy.

- Small businesses (i.e. less than 500 employees) today employ more than 50 percent of the U.S. work force. (Need to check this figure as to whether it is nearly or more than 50 percent. CK says nearly.)

- They account for 44 percent of all sales and generate 39 percent of the GDP.

- Over one-tenth (13 percent) of the labor force -- 15.6 million workers -- are self-employed. (This includes part-time self-employment)

Small businesses are a crucial element of our nation's manufacturing sector.

- In 1991, 98 percent of all manufacturing firms were small businesses -- 83 percent of all manufacturing firms employed fewer than 50 workers.

- Last year, 63 percent of all manufacturing jobs were located in small businesses -- close to one in every five (18 percent) manufacturing jobs were in firms that employed less than 50 workers.

- Between 1985 and 1991, small manufacturers (less than 100 workers) created over 200,000 net new jobs.

III. Recognizing Our Strengths

Our success in creating jobs is in large part attributable to the strength of our small businesses. Small business is the engine that propels the economy.

- Small businesses create two thirds of our new jobs.
- During the 1980's small businesses added about 12.5 million additional workers, while the Fortune 500 companies' employment actually declined by 3.1 million jobs.
- From 1988 to 1990, small businesses created more than 3 million jobs -- the entire net increase in the nation's job growth for that period in the private, non-farm sector.
- The SBA estimates that 71 percent of future employment in the fastest growing industries (e.g. medical care, business services and the environment) is likely to come from small businesses.

Small businesses are a catalyst for innovation -- the driving force in a dynamic economy.

- Much of the innovation in our country comes from small businesses. Small firms produce about 2.4 times as many innovations per employee as large firms.
- They have been responsible for over half (55 percent) of the country's technical and industrial innovations since the second World War.

Small businesses will enable the U.S. to become an export superpower.

- Forty percent of all U.S. exporters are small businesses.
- Every billion dollars in exports creates 26,000 new jobs.

The dynamism of small business has provided an avenue for advancement for minorities and women who have benefitted enormously from the growth of small businesses.

- During the 1980s, the number of Black-owned businesses grew by almost 40 percent, from just over 300,000 to 424,000.
- The number of Black-owned manufacturing businesses

more than doubled from 1982 to 1987. (3,707 to 8,004)

- The most recent Census bureau statistics show more than 422,000 Hispanic-owned businesses nationally, an increase of 81 percent from 1982.

- The number of Hispanic-owned businesses rose 80.5 percent from 1982 to 1987. This rate of growth is almost six times the rate for all businesses (14 percent). From 233,975 in 1982 to 422,373 in 1987.

- Between 1982 and 1987, the number of businesses owned by Asian Americans and Pacific Islanders rose 89.3 percent.

- Women are starting businesses at twice the rate of men.

30 percent of all small businesses in the U.S. are owned by women. If the trend continues, nearly 48 percent of all small businesses will be owned by women by the turn of the century.

- The total number of businesses owned by women increased about 58 percent from 1982 to 1987. This rate of growth is more than four times the rate for all businesses (14 percent).

IV. Guiding Principles

- Government's first economic responsibility is to create an environment that stimulates entrepreneurship and employment in the private sector.

  - This means providing macroeconomic policies that will produce stable prices, and predictable rules so that individuals and businesses can plan with certainty.

- Government's second economic responsibility is to provide opportunity for all citizens to acquire the skills needed to become productive, contributing members of the society.

- Government's third economic responsibility is to provide appropriate incentives to encourage innovation, foster economic activity, and provide economic security without imposing inflexible mandates and regulations that discourage entrepreneurship or the efficient allocation of

resources.

- Government's fourth economic responsibility to see that markets work efficiently, preventing monopolies from developing or flourishing.

V. Helping Small Businesses Get Started

- Reducing capital gains

- Implemented a micro-loan program to provide small loans -- ranging from a few hundred dollars to $25,000 to entrepreneurs to establish or strengthen their small business.

- * Allow expensing of $2,500 of small business start-up costs. (Five year revenue figure of $0.5 billion)

- HUD/SBA entrepreneurship initiative in Atlanta

VI. Helping Small Business Reduce the Cost of Capital and Get Access to Credit

- Expanding the 7(a) SBA loan program. We have authorized a record $6 billion loan authority to permit the Small Business Administration to guarantee small business loans. This is 50% above 1991.

- Increasing Access to Credit. (See suggested speech insert)

  - Working with the bank regulators to increase credit availability

    - Meetings with bankers, examiners, and borrowers all over the U.S. to increase credit availability. We have called for banks to do "more lending and less investing in government securities."

  - Worked with bank regulators to issue over 30 regulatory changes to increase credit availability.

    - President directed bank examiners to conduct their valuation of real estate based on the ability to generate income, not on its liquidation value.

    - Taken action to end over-zealous bank

examinations. (Need more detail)

- Opening Up Equity Markets to Small Businesses (See suggested speech insert)

  - SEC has revised its regulations to make it easier for small businesses to obtain capital through a simplified registration process.

    See Credit Availability paper for further detail. Also see Kolb paper (p. 4)

- Reducing the Cost of Capital for Small Businesses by reducing costly tax and regulatory burdens.

  - * Increase expensing limit from $10,000 to $25,000 (Five year revenue figure of $8.4 billion)

  - * Grant AMT relief for preferences arising from active participation in a small business (Five year revenue figure of $2.2 billion)

  - * Eliminating capital gains on newly issued small business stock. (Five year revenue figure of $0.7 billion)

  - * Allow small businesses to elect inflation-adjusted inventory accounting rules. (Five year revenue figure of $2.6 billion)

  - * Exempt small business from uniform capitalization and long-term contract rules. (Five year revenue figure of $0.3 billion)

  - * Enhance and simplify pension rules for small business. (Five year revenue figure of $0.9 billion)

VII. Helping Small Business Expand Employment and Increase Productivity

- Expanding employment and increasing productivity depend not only on generating more capital (plant and equipment) but also on:

- Research and Development

  - Making permanent the R&E tax credit.

  - Supported an increase in the Small Business

Innovation Research Program (SBIR) which sets aside a portion of Federal R&D budgets for small business. Doubled from 1.25% to 2.5%.

- Quality of the Workforce
  - AMERICA 2000
  - Job Training
- Reducing Unnecessary Costs
  - Product Liability and Tort Reform. Insurance and litigation costs are crushing small businesses. (See CK p. 5)
  - Civil Justice Reform (CK p. 5-6)
- Expanding and Opening Foreign Markets
  - Export Initiatives

    (See paper on Small Business and U.S. export assistance)
- Enterprise zone legislation

VIII. Clearing Away the Regulatory Maze

- Easing the Tax Burden.
  - Simplified Payroll Tax Deposit System. Allowing small businesses to deposit payroll taxes once a month rather than twice a week. As many as 75% of all employers will be able to use this "once-a-month" rule.
  - Simplified form for reporting Federal employment taxes from small businesses.
  - Electronic deposit of payroll taxes.
  - Single Wage Reporting. So businesses don't have to send in separate tax forms to IRS, Social Security Administration, and Department of Labor.
  - Tax Preparation Fees. The IRS has released a ruling allowing over 16 million sole proprietors to deduct tax preparation fees as a business expense rather than as a limited itemized deduction.

the "top 2 percent."

- Providing for Workers: Health Insurance

  - Help in securing access to affordable health insurance, 100 percent deductibility for the self employed, and cost containment

  vs.

  - Play-or-pay plan that amounts to doubling the payroll tax on small business.

- Providing for Workers: Parental Leave

  - Tax credits to offset costs for small and medium size businesses

  vs.

  - Government mandate that excludes employees of the smallest businesses and imposes a hidden tax on employees of medium sized businesses.

- Regulatory Burden

  - Comprehensive program to minimize burden

  vs.

  - The sound of silence

- Legal Reform

  - Product liability reform and civil justice reforms to reduce the cost of insurance and the hidden tax of needless litigation.

  vs.

  - No mention of any steps to address these burdens

- Worker Training

  - AMERICA 2000 education reforms, Job Training 2000, and Work Adjustment Assistance for all dislocated workers

OFFICE OF
PRESIDENTIAL ADVANCE

COVER PAGE

TO: Carol

FROM: Will Nance - Greensboro, NC

TOTAL NUMBER OF PAGES: 2
(including cover page)

DATE:

TIME: 2:30

MESSAGE:

IF YOU HAVE ANY QUESTIONS OR PROBLEMS WITH THE TRANSMISSION PLEASE CALL.

TELEPHONE NUMBER:

TO: Carol

FROM: Will Nance
White House Advance
Greensboro, NC

Carol,

We are doing the event in the Joseph S. Koury Convention Center which is an extremely nice facility connected to the Holiday Inn - both facilities are privately owned by Mr. Joseph Koury.

* Koury started out as a small businessman after WWII by buying up old army barracks and turning them into small houses.

* Over the next 30 years he has built 1,000s of homes in the Greensboro area

* Koury know owns shopping centers, a large mall, the Holiday Inn and the new convention center - among other commercial properties

* The convention center which will house the event was finished in March of 1992 at a cost of over $100 million.

* The city of Greensboro proposed building the convention center with tax dollars; however a city wide vote of 2 to 1 voted down the idea - paving the way for Koury to build it with private money.

* The next stage of the hotel/convention center will be the addition of a 30 story tower onto the hotel.

* Local republicans claim he has always been very supportive.

* Mr. Koury will be greeting The President upon arrival at the hotel.

I've checked this with 2 different sources the convention manager and a local former North Carolina state senator.

I hope this helps - give us a call if you have any question at all.

Will Nance

~~Bob~~ Shaw (919) 292-9161 room # x1672

→ Joseph Kourey Conv. Ctr.
part of Holiday Inn 4 Seasons

→ Triad comprised of 3 counties:

Winston Salem
Greensboro
High Point

→ North Carlonia is a net export State

→ Greensboro is a very pro-choice city

Greensboro, NC

→ Triad Business Community

one business we should highlight

Joseph S. Koury Convention Ctr.
(local success story)

predominantly small businesses

(Trip)

Small businessman made big

Census: → Mike Farrell
[redacted]
301-763-2700

15% of all U.S. Cos. account for 85% of Am. exports and ¼ of those cos sell in only one market

→ C. Fred Bergsten (Dr.)
Inst. for Int'l Econ.
202-328-9000

For New Jobs, Help Small Business

In this political season, as the candidates talk about how to improve the economy, there is too little interest in an idea that used to be a mainstay of party platforms – the need for a vibrant small business sector.

In the first three decades after World War II, many politicians favored programs to bolster small business because of concern about overconcentration of economic power. Between 1954 and 1979, the sales of the Fortune 500 companies as a share of gross national product rose from 37% to 58% and many commentators believed that the U.S. would evolve into a "new industrial state" dominated by large firms. In the 1990s, the U.S. needs to encourage small business for a different reason. We need a vibrant small business sector because we need jobs.

Since the Fortune 500 companies stopped growing more than a decade ago, small business has become the primary engine for creating jobs. During the 1980s, the Fortune 500 companies cut 3.5 million jobs while small businesses created more than 20 million jobs. During the past 18 months, the Fortune 500 have probably shed an additional 600,000 jobs.

The failure of the U.S. economy to recover since the 1990-91 recession is because small business isn't creating as many new jobs as it used to. The Bureau of Labor Statistics estimates that new businesses added only about 144,000 jobs in 1991, compared with 1.5 million in 1990. According to provisional estimates for 1992, new firms added only about 10,000 jobs a month during the first quarter and 25,000 a month in the second quarter, compared with 100,000 a month during the 1980s.

Unfriendly Environment

There are two primary reasons small businesses have failed to create an adequate supply of new jobs since 1990.

First is the financial environment, which is unfriendly to small business. In New England, Texas and California, major bank failures or consolidations have reduced banks' ability to support lending to small businesses. In other regions, many banks also have shifted to more conservative lending policies because of new federal regulations that severely penalize bank directors who permit their institutions to pursue seemingly risky lending policies. As a result of these new constraints, banks have been significantly expanding their portfolios of government bonds while holding back on commercial lending. The June data for bank assets indicate that commercial banks now have more government securities in their portfolios than commercial loans.

In the 1980s, credit was expensive but easily obtained. In the 1990s, credit is cheap but severely rationed. Since small firms do not have access to the stock market, the bond market or the commercial paper market, they are heavily dependent on borrowing from banks. While surveys of bank lending policies suggest credit conditions are starting to ease, it will be some time before banks are prepared to finance new business creation on the scale of the 1980s.

A second factor hurting small business is the sharp rise in health insurance costs, as well as fears that the federal government will increase such costs even further. The medical sector's share of GNP is already more than 13% and will rise to 18% by the end of the decade if current trends persist. Health insurance is becoming a de facto employment tax on companies.

Since the great majority of workers without health insurance are employed by small businesses in retailing, restaurants and other service industries, there is great concern among those businesses that the federal government will soon require them to provide some form of health insurance. Such mandates could significantly increase their labor costs.

If the economy were booming, companies would add more workers despite the concerns about health care costs and other potentially expensive regulations such as the new disabilities act. But because economic growth since 1989 has been the poorest since World War II, many firms, big and small alike, have turned cautious, focusing on controlling costs rather than taking on new risks. Small businesses, which usually can't pass costs forward or offset them through other savings, are so concerned about health insurance and other regulatory costs that they are deferring new hiring or hiring temporary workers. The fact that large firms have recently increased overtime and hours worked to record levels without adding new employees indicates that all sectors of the business community are afraid to expand their overhead.

Where The Jobs Aren't

	FORTUNE 500 EMPLOYMENT	FORTUNE 500 SHARE OF TOTAL NON-FARM EMPLOYMENT
1954	7,857,483	14.6%
1960	9,178,511	15.2
1964	10,464,383	16.1
1968	13,987,210	20.6
1969	14,813,809	21.0
1970	14,607,581	20.6
1971	14,324,890	20.1
1972	14,676,849	19.9
1973	15,531,683	20.2
1974	15,255,946	19.4
1975	14,412,992	18.7
1976	14,836,163	18.6
1977	15,298,292	18.5
1978	15,785,439	18.2
1979	16,193,344	18.0
1980	15,909,985	17.5
1981	15,635,041	17.1
1982	14,362,190	16.0
1983	14,052,725	15.5
1984	14,247,953	15.0
1985	14,034,477	14.3
1986	13,861,586	13.7
1987	13,328,832	13.0
1988	12,707,979	12.0
1989	12,539,817	11.5
1990	12,429,305	11.3
1991	11,973,236	10.9

Source: Kemper Financial Services

The face of such constraints, there is no simple way to revive the small business sector. In the financial sector, the big drop in interest rates since 1990 will gradually ease the credit crunch for small businesses by restoring bank profitability and encouraging banks to become more competitive in their lending practices again. Other sources of credit are also starting to appear. Some financial planning groups, for instance, are evolving into de facto merchant banks by helping credit-starved small businesses obtain new capital from wealthy private investors. Meanwhile, the Securities and Exchange Commission wants to help ease the credit crunch by liberalizing its rules governing the registration and sale of new securities by small companies. But all of these measures will take time, and there is unlikely to be a broad-based recovery in credit access for small business until 1993 or 1994.

What can the government do? Both political parties want to encourage the creation of small businesses by improving the tax treatment of capital gains. The Republicans want to reduce the capital gains tax rate to 20%, while the Democrats propose to index capital gains for inflation and provide some form of tax relief for investment in new businesses. Despite widespread concern about the credit crunch problem, though, neither party has suggested changing the regulations that are encouraging banks to shift to to more conservative lending policies.

The other critical small business issue for which both parties are still formulating policy is how to provide health insurance for the 35 million to 40 million Americans who now lack it. Most are dependent on jobs in small businesses. Yet only 39% of firms with fewer than 25 employees offer health care; 34% of firms with 25 to 99 employees do not. The Bush administration wants to improve access to health care by introducing insurance tax credits. The Democrats propose a "pay or play" policy under which the government would take care of people not covered at work.

A High Risk

But neither party has explained in detail how it would finance its plan. There is a high risk that the next administration could enact some form of payroll tax similar to the Social Security tax in order to finance comprehensive health care. Such a tax would probably not increase employment costs at companies that already have private health insurance, but it could increase employment costs significantly for firms that currently lack health insurance. Such a large tax hike would squeeze the profit margins of many small businesses and further reduce their capacity to expand employment.

The U.S. enjoyed an employment boom during the 1980s because a burst of entrepreneurial energy coincided with a highly flexible labor market that rewarded people with highly divergent skills, education and experience. Small businesses were able to generate millions of new jobs because they were not burdened with social overhead costs as high as those at the Fortune 500. Whether the next administration is Republican or Democratic, it must not permit the creation of new federally mandated safety nets and regulations to undermine the ability of small business to return the nation to full employment.

Mr. Hale is chief economist of Kemper Financial Cos. in Chicago.

Dan --

Spoke with Richard Allen of Ladd Furniture, Inc.
HP Box 3
High Point, NC 27261

VP met with him and other furniture manufacturers a month or so ago. Mr. Allen didn't remember exactly when. I'll try to find out from VP's office.

Medium-sized business; approx. 140 employees in High Point

They have the biggest trouble with EPA/environment regs.

There have been increases in the amount of reporting and they have had to add new staff just to keep up on the reading of the new regs, etc. This is not the kind of job creation we are looking for. We want to invest in new ideas, new technologies, human ingenuity, etc., not paper-pushing.

The forms are complicated and take up way too much time. He feels businesses should be concentrating on doing business and selling their product, not filling out form after form after form.

He is a firm believer that business needs to take responsibility, not have government mandate everything.

Example of EPA reg. abuses: Furniture manufacturers currently have the capability to reduce emissions (sprays, enamels, etc.). However, they know that the government is going to issue a reg. that will tell them to reduce emissions by 50% of what they are emitting now. Their theory is why cut now and lower our base of emissions, so that we'll have to cut 50% of that lower number, when we can stay where we are and wait for the reg to tell us what to do.