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RENEWING

AMERICAN ENTERPRISE

The 1993-1994 National Business Agenda:

U.S. Chamber of Commerce Federation

Renewing American Enterprise

The 1993-1994
National Business Agenda

United States Chamber of Commerce Federation

Renewing American Enterprise: The 1993-1994 National Business Agenda

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Introduction

Change is what American voters demanded in the 1992 election. *Change* is what American business faces at home and abroad. And *change* is what the U.S. Chamber Federation's membership recommends in 25 policy priority areas critical to renewing American enterprise. The breadth and diversity of the Chamber Federation mirrors the full spectrum of American business interests: 215,000 companies (96 percent which have fewer than 100 employees), 3,000 state and local chambers of commerce, 1,200 trade and professional associations, and 66 American Chambers of Commerce in 55 countries. Their chief concerns -- those of the U.S. business community -- are found in these pages.

Several compelling factors have contributed to this demand for change: widening federal budget deficits; a crisis in health care; continuing high unemployment; increasing regulatory burdens; and a work force unprepared to meet the challenges of global competition. As a result, a consensus is emerging that we as a country can no longer afford constant confrontation among business, workers, government, environmentalists and other interest groups in our country, especially in the face of unforgiving global economic competition.

Further complicating the picture are global economic difficulties, especially among our major trading partners. Their distress curbs foreign demand for American goods and services, undermining the United States' efforts to recover from its recent recession. The European Community's high hopes for a single market have been dampened by slow economic growth coupled with disarray among its member countries over future monetary and political union. In Japan, the go-go "bubble" economy of the 1980s is no more (although the Japanese government is in the enviable position of being able to spend in one year $87 billion from surplus revenues to stimulate its weakened economy). Russia and other countries from the former Soviet Union face uncertain economic and political futures. It has thus become clear that U.S. public-policy solutions to our domestic ills must reflect these international realities.

With the near-record turnover in the U.S. Congress and a new Democratic President, there are new opportunities to end governmental deadlock. In addition, during the 1992 campaign season, while many candidates focused on solutions to our immediate economic woes, especially the health care crisis, they also recognized that many of America's problems are structural, requiring long-term remedies. And, judging from President Clinton's economic conference in December 1992, we expect the new political environment to be characterized by the inclusion rather than exclusion of key elements of American society -- to forge solutions driven by pragmatism, not ideology.

The U.S. Chamber of Commerce Federation is uniquely suited to play a leadership role in this new environment that emphasizes bringing all parties to the table. That is the essence of the Chamber, and indeed the reason it was created more than 80 years ago. In 1912, President Taft called upon American business leaders to come together to resolve their differences and to offer his Administration recommendations that would benefit the broadest spectrum of U.S. business. Eighty years later, we continue to stress the importance of bringing diverse interests together to forge consensus positions.

Global competition is forcing American employers not only to come together, but to develop new relationships with employees and other groups. Accordingly, the Chamber also is reaching out to new constituencies. For example, we are working not only with our members, but also with community colleges throughout the country to bring to American small businesses the latest information on such topics as the opportunities and challenges of the North American Free Trade Agreement, how to comply with the Americans with Disabilities Act, and recent changes in states' worker compensation regulations.

In addition, the Chamber will broker sessions between the Federal Laboratories Consortium representatives and small and medium-sized firms from all over the United States on how these companies can utilize the research and technology available from America's national laboratory network. We also are working to craft solutions in areas such as environmental rules, health care and education reform, and safety and health regulations where business and labor share common concerns.

At five regional meetings in October 1992, more than 1,500 business leaders from every facet of the American economy met to identify the core issues of concern to business. These men and women not only demanded change from the status quo, but offered specific solutions. These solutions were confirmed by the Chamber's Board of Directors, policy committees, and membership surveys. In short, the Chamber membership wants business to work with the Clinton Administration and the 103rd Congress to create a new environment, taking advantage of our nation's comparative advantages and setting the stage for a renewal of American entrepreneurship in the next century.

Toward this end and in response to our members, the Chamber will pursue a number of different strategies to manage its public-policy issues:

> The Chamber will continue its systematic process of identifying those issues of greatest import to both large and small businesses. This process includes our bimonthly *Business Ballot* membership survey, which gauges members' views on key issues before Congress; our bimonthly *Business Confidence Index* survey of our members' perception of the state of the economy; and the work of our policy committees.
>
> Rather than simply assume the active involvement of our members nationwide, the Chamber will build upon last year's effort to rejuvenate our grassroots network and make it unequivocally the most effective lobbying force of any business-advocacy organization in the United States, with a particular emphasis on individual company involvement. Special attention will be paid to reporting back to our grassroots constituency on the progress or lack of progress in advancing our priorities.
>
> In a further refinement of last year's *National Business Agenda*, we will concentrate on the 25 issues our members have told us are of the highest priority. The Chamber is committed to achieving tangible, measurable outcomes.
>
> Rather than wait for and react to government initiatives, the Chamber is seeking pragmatic solutions to critical problems and pursuing them proactively. To this end, we will provide timely information and thoughtful, objective analyses to shape the policy debate.

Recognizing that we live in a global economy, our policy recommendations will reflect the reality that few domestic economic issues are unaffected by international factors. However, we also realize that without an over-riding economic strategy to enhance growth, individual entrepreneur-friendly proposals will not have the ultimate desired positive effect on the American economy.

Building on last year's premier edition, we have developed a new *National Business Agenda*, titled "Renewing American Enterprise." This agenda establishes 25 critical policy priorities. The central theme is: ***We must build the foundation for America to meet the global economic challenges of the 21st century.*** A coordinated set of actions by the federal government and the American private sector should be implemented to foster economic growth in the near term, while restructuring the U.S. economy to advance the long-term competitiveness of American business. The Chamber membership has demanded action in the following critical areas:

Set the stage for expanded, sustained economic growth. Federal fiscal and regulatory policies have gotten in the way of strong economic growth. The largest drain on the private economy -- federal spending -- stands above 24 percent of national income, a postwar record. In addition, federal mandates and regulations have risen sharply in recent years. Along with tax increases that sap the incentive to invest, regulatory costs often stifle investment in productive equipment and hurt U.S. competitiveness. Federal fiscal and regulatory policies must not work to impose excessive costs on the private sector and inhibit economic growth.

Federal regulations cost American taxpayers and businesses $400 billion annually -- over $4,000 per household (Source: Journal of Regulation and Social Costs, March 1992).

Today, the marginal tax rate on capital is higher than it was before the tax cuts of the early 1980s, and the rate of return on capital stands at a dismal 2.8 percent (Source: Fiscal Associates, Inc.).

Put our fiscal house in order. Federal spending -- and with it, the public debt -- continues to grow faster than the economy despite attempts to reduce the budget deficit. Even with low interest rates, a larger amount of the taxpayer's dollar goes to servicing the debt because spending growth outstrips revenue growth. Defense spending is scheduled to decline, but domestic spending, especially on entitlement programs, is scheduled to grow rapidly. Tough spending restraint and reform is necessary to get the deficit moving in the right direction -- down -- and to reduce the burden on the private economy that comes from financing outsize federal spending.

Under current tax and spending plans, and with projected economic growth averaging 2.5 percent over the next ten years, the budget deficit will stay high, reaching over $400 billion in 2002 (Source: Congressional Budget Office).

During the past thirty years, Congress has voted $1.59 in new spending for every $1 tax increase (Source: Joint Economic Committee).

Fix health care. U.S. health care spending -- at more than 14 percent of U.S. GNP in 1992 -- substantially exceeds the per capita health care costs of our major international competitors. Nonetheless, more than 37 million Americans are without health insurance, and millions more cannot afford the coverage they need. Both employees and employers are hard-hit by the costs and limited availability of quality health care. The U.S. must contain health care costs and improve access to stay on par with its trading partners and competitors.

> *Of the United States' 250 million citizens, one in seven (37 million) has no health insurance and one in four (63 million) was without insurance for an extended period during the last two years. This is the highest no-coverage rate in the industrialized world (Source: Employee Benefits Research Institute; the Organization for Economic Cooperation and Development [OECD]).*
>
> *The average cost per employee for health and dental benefits rose from $860 in 1980 to $2,811 in 1991 -- a 226 percent increase (Source: U.S. Chamber of Commerce Employee Benefits Survey).*
>
> *Estimates place the costs of insurance for small employers at anywhere from 10 percent to 40 percent higher than larger employers (Source: Congressional Research Service).*

Create a highly skilled, globally competitive work force. The future of America's economic strength depends on the quality of its work force. And yet, the nation's public school systems fail to prepare children for the rigors of the workplace in important traditional areas such as mathematics, science, and foreign languages, nor do they teach children to apply these skills to solving problems. Also, these public school systems do little to prepare the non-college bound student -- a significant portion of high school graduates -- for the workplace. Pre-school programs and increased attention to K-12 education are crucial to ensuring that America's schools produce the quality workers of the future. An overhaul of existing worker-retraining programs is also needed to teach adults the skills they need to produce increasingly sophisticated products in a radically changed workplace.

In the new workplace, the factory worker's role is changing dramatically as organizations become less hierarchical, blurring the distinctions between management and labor. This phenomena demands new skills for all employees. In contrast, efforts by labor groups to restrict the hiring of permanent replacements for economic strikers would impede rather than encourage the use of modern work force organization and business practices in this new workplace.

> *The United States ranks 9th among the world's 24 richest countries in the percentage of 4-year-olds enrolled in pre-school programs (Source: OECD).*
>
> *More than 50 million Americans will require retraining by 2000 if the United States is to remain a competitive economy (Source: American Society for Training and Development).*

The average Japanese worker has about three times the job training, and works with three times as much technology, as the average U.S. worker (Source: American Society for Training and Development).

Give entrepreneurs and workers the tools to compete. The quality of a country's infrastructure -- especially its telecommunication and transportation components, crucial to the efficient transfer of goods, services, and ideas -- is a key factor in companies' investment decisions. Modern infrastructure is essential to doing business and to maintaining a high living standard. In both areas, the United States lags behind its industrialized competitors.

Laying a new fiber-optics network in the United States will cost $325 billion over the next decade (Source: Business Week).

Only 48 percent of U.S. interstate roads are rated as being in "good" condition, compared with 42 percent rated either "fair" or "poor" (Source: General Accounting Office).

The average annual federal contribution to interstate road maintenance -- about $7 billion -- is less than half of the estimated $16 billion needed annually to keep interstate roads in their present condition (Source: General Accounting Office).

Establish an entrepreneur-friendly U.S. market environment. Excessive litigation, liability costs, paperwork, and regulation sap scarce U.S. business resources, yet seldom beget the socially beneficial outcomes intended. Reform is needed in many of these areas to put American firms on par with their foreign counterparts.

At the federal level alone, U.S. plaintiffs filed more than 160,000 product liability cases between 1974 and 1990. By contrast, Japanese plaintiffs (the population of Japan being about half that of the United States) have filed only 150 product liability cases over the same period (Source: Citizens for a Sound Economy).

U.S. waste management, water, and air pollution containment costs are expected to grow to $113 billion annually by 2000 -- a figure four times that of any other industrialized country (Source: OECD).

Level the playing field in the global market. Exports are clearly a major engine of economic growth. However, while the United States remains one of the most open markets in the world, many of its trading partners continue to close markets to U.S. exports. Global trade talks attempting to open world markets remain inconclusive although the United States continues to press for their successful end. To stay competitive, the United States must 1) secure fair international trade rules, 2) strengthen its resolve to open markets through negotiations, and 3) expand its export opportunities.

From 1891 to 1970, the United States had an unbroken string of trade surpluses. After 1970, it had deficits every year except 1973 and 1975 (Source: Congressional Research Service).

U.S. exports to Canada have risen notably under the U.S.-Canada free trade agreement. Exports grew 42 percent between 1987 (pre-agreement) and 1991 (Source: U.S. Department of Commerce).

In 1993, to help facilitate U.S. capital goods exports, the United States will offer $350 million in financing for American companies' bids on U.S. foreign aid projects. Meanwhile, Germany, Japan, and other nations will spend more than $10 billion each for the same purpose (Source: Coalition for Employment through Exports).

While these are areas where action is critical in the next 12 to 24 months, the Chamber will continue to identify emerging trends and cutting-edge issues which may be incorporated into future priorities.

Government can provide a positive context within which American entrepreneurs are valued and encouraged, especially if the relationship between government and business is changed from one characterized by antagonism to one built on cooperation. However, while public policies are critical to *Renewing American Enterprise*, the private sector also can do a great deal to further this cause. For example, using our *Quality Learning Services* interactive video seminar series, the Chamber, through its Federation of state and local chambers of commerce, provides real-time information to American entrepreneurs on how they can improve their businesses. National and international experts on such topics as total quality management, just-in-time inventory management, and the ISO 9000 international quality-assurance program will acquaint American business leaders with state-of-the-art thinking on the latest management and productivity techniques. Currently, seminars covering 40 such topics are scheduled for 1993. But in a business-government environment where cooperation is the watchword, we can do more.

Global competition has forced American entrepreneurs to become more efficient. New concerns of our society about the environment, energy dependence, and the rights of consumers and employees -- union and non-union -- have been and continue to be addressed by business. And change is the order of the day. In a world so full of economic challenges and uncertainties, it is the courage, perpetual optimism, and tenacious risk-taking of America's entrepreneurs that offer the best hope for a bright future. These entrepreneurs are everywhere: on the factory floor; in the classroom; in the shops of Main Street America; and in the board rooms of our companies. They are key to this nation's economic future. Join us in this ambitious effort that we call *Renewing American Enterprise.*

Bill Lurton   Ivan W. Gorr   Dick Lesher

H. William Lurton	Ivan W. Gorr	Dr. Richard L. Lesher
Chairman of the Board	Vice Chairman	President

Executive Summary

I. Set the Stage for Expanded, Sustained Economic Growth

1- Encourage Private Investment
Secure enactment of legislation that reduces the long-term cost of capital and spurs investment such that all businesses can benefit. Specific areas must include the capital gains tax, indexation of the basis of assets, neutral cost recovery, the Investment Tax Credit, and the Alternative Minimum Tax.

2- Put American Capital and Labor to Work
Make additional private-sector capital available for investment by securing enactment of legislation that reduces the Social Security (FICA) payroll tax rate; permanently extends selected expiring tax provisions; provides passive-loss relief; repeals the luxury tax; and restores full Individual Retirement Account (IRA) eligibility.

3- Obtain Regulatory Relief
Achieve regulatory relief for businesses and consumers, and establish institutional reforms to help ensure that future regulations will not be unnecessarily burdensome or harmful.

4- Enhance Global Competitiveness (Foreign Tax Provisions)
Secure amendments to the foreign tax provisions of the Internal Revenue Code to enhance the competitive standing of U.S. businesses in global markets.

II. Put Our Fiscal House in Order

1- Balance the Federal Budget
Achieve a balanced federal budget through a tax or spending limitation/balanced budget amendment to the Constitution.

2- Set New Spending Priorities
Secure reforms that will restrain federal spending growth and fund new investment needs by creating new spending priorities, eliminating "pork barrel" spending, reforming entitlement programs, and imposing a government hiring freeze.

3- Reform the Budget Process
Secure budget-process changes, including presidential line-item veto/enhanced rescission authority, the elimination of current-services budgeting, and the establishment of fixed spending/deficit caps to provide for a more rational allocation of scarce tax dollars among competing public demands.

III. Fix Health Care

1- Reform Health Care
Secure enactment of health care reform legislation at the national level that will 1) ensure universal access to health care, 2) facilitate competition for patients among hospitals, doctors, and other

health care providers based on price, quality, and service, and 3) encourage cost-conscious behavior on the part of consumers and health care providers.

IV. Create a Highly Skilled, Globally Competitive Work Force

1- Provide Everyone the Basics (Pre-Kindergarten through Age 18)
Secure increased and better-targeted human and financial investment in education by both the public and private sectors, in order to improve students' chances to become contributing members of the work force and society. Move corporate and chamber of commerce members toward meaningful involvement in education at the state and local levels.

2- Train "Up" the Existing Work Force (Human Capital Investment)
Stimulate public and private investment in training and retraining the current work force to enhance America's competitive position in the global economy. Coordinate all existing federal training programs.

3- Promote Cooperative Business-Labor Relations
Block passage of legislation restricting the right of employers to hire permanent replacements for economic strikers. Secure enactment of legislation that encourages the use of modern work force organization and business practices, while effectively protecting employer and employee rights.

V. Give Entrepreneurs and Workers the Tools to Compete

1- Expand the Telecommunications Infrastructure
Ensure that the development of an advanced communications network improves the delivery of business services and enhances productivity on a national and local level, while meeting the education, training, and health care needs of local communities.

2- Transportation Infrastructure
Secure the repair, improvement, and expansion of the transportation infrastructure system as needed to improve the nation's economic productivity, international competitiveness, and quality of life.

3- Business/Government Cooperation on Technology Initiatives
Encourage, as a key component of U.S. competitiveness, collaboration and cooperation among business, government, and academic institutions in the development and dissemination of new technologies and production processes. Secure amendment of the National Cooperative Research Act of 1984 to relax the legal restraints on collective manufacturing/production efforts.

VI. Establish an Entrepreneur-Friendly U.S. Market Environment

1- Product Liability and Civil Justice Reforms
Secure enactment of federal product liability legislation, and reform civil litigation procedures in federal courts to control rising litigation costs, reduce excessive liability claims, and minimize the delays currently associated with the judicial system.

2- Paperwork Reduction
Secure enactment of a Paperwork Reduction Act which will reduce costly, burdensome federal paperwork and reporting requirements.

3- Occupational Safety and Health Act
Secure enactment of legislation to further improve health and safety in the workplace while ensuring a balanced regulatory approach that protects the legitimate interests of employers and employees.

4- Environmental Quality

Solid Waste: Secure enactment of revisions to the Resource Conservation and Recovery Act that will provide for environmentally sound, market-driven solutions to municipal and industrial solid waste recycling and disposal problems.

Water Quality: Ensure that water quality standards that set limits on discharges are based on sound science; bear a direct relationship to the protection of human life, aquatic life, and wildlife associated with a body of water; do not infringe on state and local authority to set water quality standards; and result in sound solutions to water quality improvement.

Global Climate Change: Ensure that sound science, risk prioritization, and economic- and social-cost analyses are used in formulating and implementing the National Action Plan pursuant to the Rio de Janeiro "Earth Summit" global climate treaty. Seek assurances that any new commitments to the treaty will be multilateral, not unilateral.

5- Superfund
Secure enactment of revisions to Superfund legislation which will produce a more efficient funding mechanism and improve the site-assessment and remedy-selection processes, leading to speedier cleanups and lower transaction costs.

6- Sustainable Use of the Nation's Natural Resources
Secure greater access to public and private lands for natural resource development in an environmentally responsible manner, balancing important ecological values such as endangered species and wetlands protection.

7- Food System Regulatory Reform
Achieve national uniformity in the regulation of food production, distribution, and marketing by securing enactment of legislation and promulgation of regulations that 1) harmonize and modernize health standards and inspection methods; 2) establish consistent, nationwide packaging, labelling, and marketing regulations; and 3) preempt states and subdivisions of states where uniform standards are essential.

8- Federal Government Contracting: Procurement, Acquisition, and Defense Integration
Achieve a simplified and streamlined federal government contracting process by reduction of non-value added requirements imposed on contractors. Key procurement reforms should include the federal government's use of less-costly, commercial-style procurement practices and increased purchasing of "off-the-shelf" commercial products. Such reforms are consistent with efforts to integrate defense and commercial markets.

VII. Level the Playing Field in the Global Market

1- Establish Fair International Trade and Investment Rules

Secure the establishment of fairer rules governing international trade and investment, both globally through the General Agreement on Tariffs and Trade and regionally through approval of the North American Free Trade Agreement.

2- Improve Access to Foreign Markets

Obtain improved U.S. access to foreign markets through reduction of foreign barriers to U.S. exports and investment, and aggressive enforcement of existing trade agreements and U.S. trade law.

3- Increase Exports

Secure enactment of legislation establishing as a national objective an increase in the proportion of U.S. gross domestic product represented by American exports -- specifically, an increase from the current 7.5 percent to 16.5 percent (the average of the major developed countries) by 2000. Such legislation will also establish unified budget allocations and single oversight of all federal export expansion efforts, and will declare that exporting is a right, not a privilege.

R E N E W I N G

AMERICAN ENTERPRISE

Set The Stage For Expanded, Sustained Economic Growth

America's private investment still lags behind that of other industrialized nations, particularly Japan. Likewise, the U.S. savings rate, at 3.8 percent, is only half that of Japan or Germany. Meanwhile, U.S. tax and regulatory policies act as disincentives to savings and investment, thus hurting U.S. competitiveness.

The United States must take a new look at its policies to correct the savings-investment gap, streamline existing regulations, and free up private-sector capital for investment. Adopting an investment tax credit, reforming the alternative minimum tax, cutting the capital gains and Social Security payroll tax rates, and curbing the adoption of new regulations are all steps toward making U.S. business more competitive.

Encourage Private Investment

Objective Secure enactment of legislation that reduces the long-term cost of capital and spurs investment such that all businesses can benefit. Specific areas must include the capital gains tax, indexation of the basis of assets, neutral cost recovery, the Investment Tax Credit, and the Alternative Minimum Tax.

Problem U.S. businesses face a higher cost of capital than do almost all their overseas competitors. The high cost of capital in the United States, compared to that of other nations, retards U.S. economic growth, creating an unlevel playing field for American businesses; it reduces the rate of return on investments in plant and equipment, and threatens to erode the nation's capital base and lower the country's long-run growth potential.

Background Various aspects of federal tax policy are largely responsible for the high cost of capital in the United States. Current depreciation systems discourage investment in productive plant and equipment. The average recovery rate for capital equipment assets ranges from a maximum of 88 percent on short-term assets to no more than 56 percent on longer-term assets. This means that companies are not permitted to recover the full replacement cost of their investments, thus artificially raising the cost of capital.

Prior to 1986 the United States historically provided some form of preferential tax treatment for capital gains. The Tax Reform Act of 1986 fundamentally changed the taxation of American capital by eliminating the capital-gains exclusion and subjecting capital gains to taxation at ordinary income tax rates. This has led to a "locking-in" effect for capital assets, hindering capital mobility and formation and contributing to the economic stagnation. In addition, because capital gains were not indexed for inflation in 1981 along with the individual income tax brackets, exemptions, and exclusions, the effect of taxing capital gains at ordinary income tax rates is to penalize capital-gain income, not to treat it the same as ordinary income. Because the basis of capital assets is not indexed, taxpayers are taxed on illusory gains (i.e., inflation), as well as on any increase in the *true* value of the asset.

The investment tax credit (ITC) has been enacted and repealed seven times in the past 30 years. Originally, it reflected recognition of the fact that depreciation deductions against investments for tax purposes comprise less than 100 percent of an asset's replacement cost. As the ITC has many times been shuffled in and out of the tax code, it has come to be seen primarily (and less appropriately) as a short-term economic stimulus.

Recent Treasury Department data indicates that a majority of corporate taxpayers are subject to the burdensome Alternative Minimum Tax (AMT). The AMT has become, in effect, a complete and parallel income-tax system, posing complex and burdensome recordkeeping requirements and increasing the cost of capital on American business. For companies that are subject to it, the AMT significantly increases the cost of capital and discourages investment in productive capital assets by negating many of the incentives, including accelerated depreciation, designed to foster capital formation and investment. The Tax Reform Act of 1986 broadened the corporate minimum tax base and dramatically increased the complexity of complying with the law. As a result, a large number of corporations for which the AMT was not intended either pay under the AMT or calculate AMT each year because their tentative AMT liabilities are almost as high as their normal tax liabilities.

When corporate profits remain relatively constant, the AMT significantly raises effective corporate tax rates and reduces after-tax profits available for investment or distribution to shareholders. And when profits decline, although total tax liability is reduced, the rate of declining tax liability is smaller than the overall decline in profits. Thus, relative corporate tax burdens are increased by the AMT just when businesses are least able to absorb the cost. During recession, as the economy slows and profits decline, even more corporations are subjected to the minimum tax as the effect of AMT preferences becomes magnified when applied to a shrinking income base.

To meet the capital-formation needs of American business it is necessary to lower the cost of capital by reducing the tax burden on capital gains, improving the capital-cost recovery system, and reforming the AMT. Business growth and growth of the economy will remain weak if legislation fails to cut the cost of capital.

Action Needed Promote legislation that will 1) reduce the tax rate on capital gains to 15 percent for individuals and corporations; 2) index the basis of assets for inflation; 3) establish a neutral cost recovery system; 4) reinstate a permanent, broad-based, universal Investment Tax Credit; and 5) reduce or eliminate the burden placed on individuals and corporations by the AMT rules and make any investment incentives enacted available under AMT.

Capital Gains Tax

Chamber Position: Reducing to 15 percent the individual and corporate capital-gains tax rates on all assets would reduce the cost of capital, stimulate economic growth, and promote the formation of venture capital. The resulting expanded economy would benefit all income classes. As a matter of historical fact, capital-gains rate reductions have proven to be a revenue-raiser for the federal government.

The Other Side: All types of income should be taxed at the same rate. A rate reduction would benefit the wealthy while reducing federal revenues; despite some immediate unlocking of assets, a capital-gains rate reduction would have little long-term positive impact on investment, and would do little to increase the stock of capital assets.

Indexing

Chamber Position: Indexing the basis of capital assets for purposes of calculating gain/ loss would eliminate taxation of inflationary gains and lead to more investment, economic growth, new business starts, and job creation. Indexing the basis of capital assets for depreciation purposes would protect tax depreciation write-offs against inflation and ensure companies may recover the replacement value of assets during their useful lives. Indexing is equivalent to a 5% permanent, universal investment tax credit plus an 80% capital gains exclusion. It greatly improves long-term economic performance and costs little or no net federal revenue in the first four years of a five-year budget cycle.

The Other Side: Indexing of the basis of capital assets would do little to increase the overall stock of capital assets. Indexing would primarily benefit the wealthy while reducing federal revenues.

Neutral Cost-Recovery System

Chamber Position: Reforming the capital cost-recovery system to provide for full recovery of capital-investment expenditures over time would create an expansion of investment in all U.S. business sectors. Neutral cost-recovery is the present-value equivalent of expensing and can be designed to raise revenue in the early years of the budget cycle.

The Other Side: A neutral cost-recovery system would do little to encourage investment, and would be difficult to administer for both taxpayers and the IRS.

Investment Tax Credit

Chamber Position: A broad-based, permanent, universal investment tax credit would stimulate much-needed capital investment, avoiding the distortions of targeted, temporary, and incremental tax credits while leading to sustainable long-term increases in investment and economic growth.

The Other Side: Such investment stimuli decrease federal revenues and only make the deficit problem worse. If they must be utilized, they should be temporary and targeted. The present system of accelerated depreciation is a big-enough break for businesses, especially capital-intensive industries.

Alternative Minimum Tax

Chamber Position: The AMT system has a negative effect on business investment. Reform is needed to reduce complexities and burdensome recordkeeping requirements, and ensure that all investment incentives are fully available under the AMT. Because the AMT places unnecessary burdens on business, it harms the economy and reduces employment levels and international competitiveness.

The Other Side: The current AMT system is necessary to ensure that corporations with significant economic or accounting income would not be allowed to escape tax liability through the use of exclusions, deductions, and credits. New proposals are simply bad policy disguised as tax simplification.

Outcomes

- Lower cost of capital.
- Greater investment in productive assets.
- Increased after-tax profits and cash flow.
- Higher federal revenues.
- Further job creation.
- Increased average employee income.

For further information, please call Julie Gackenbach at 202/463-5620.

Put American Capital and Labor To Work

Objective Make additional private-sector capital available for investment by securing enactment of legislation that reduces the Social Security (FICA) payroll tax rate; permanently extends selected expiring tax provisions; provides passive-loss relief; repeals the luxury tax; and restores full Individual Retirement Account (IRA) eligibility.

Problem The 1990s will be the slowest decade of growth since the depression-ridden 1930s, according to the Blue Chip Consensus Forecast of private economists. The primary factor hindering growth is the cost and availability of capital. Small businesses are hard-hit by fixed expenses related to labor, and by a small-business credit crunch (see "Obtain Regulatory Relief"). Real estate values in particular have been greatly affected by tax-law changes. Lost real estate value, in turn, has created problems in banks and thrifts and added significantly to a small-business credit crunch. Fortunately, these problems are not irreversible; the gloomy predictions for the 1990s need not come true.

Background Social Security taxes have risen annually for nearly twenty years through increases in the tax rate, the taxable-wage base, or both. These payroll taxes are collected, far in excess of what is needed to pay current benefits, and placed in the Social Security Trust Fund. However, in practice this surplus cash is exchanged for special-issue Treasury bonds, and the Federal government spends the cash. In order to pay future benefits, these special-issue bonds will eventually have to be redeemed for cash.

The Social Security payroll tax is an important component in the cost of labor. The full payroll tax burden on employers (including the 7.65 percent FICA tax) can exceed ten percent of payroll. As fixed-cost taxes, they are assessed regardless of the profitability of the business. In a weakened economy the burden of these taxes becomes more pronounced and frequently the only alternative is to lay off employees.

Many American companies rely on the Research and Experimentation tax credit to help fund needed research activities. Millions of self-employed Americans rely on the 25 percent health-insurance deduction to help them to afford essential insurance coverage. These provisions have been temporarily extended repeatedly over the years. The lack of a consistent policy, coupled with uncertainty over the future availability of these provisions, has forced many businesses to reduce or discontinue the activities which these incentives encourage.

The 1990 budget agreement imposed a 10 percent luxury excise tax on aircraft, automobiles, boats, furs, and jewelry. These luxury taxes have had a devastating impact. Reports indicate that these taxes resulted in the loss of more than 9,000 jobs and cost the federal government nearly $20 million in lost revenue in 1991 alone. Congressional intent behind the luxury taxes was to increase tax receipts from higher-income individuals by taxing items considered to be purchased primarily by the wealthy. However, as sales of these items have plummeted, lower- and middle-income taxpayers are suffering the most.

Restrictions on utilization of passive losses from rental real estate are having a negative impact on all segments of the real estate industry. This is having a spill-over effect on the health of the economy. The problems being experienced by America's financial institutions are being exacerbated by these rules, which tend to increase defaults on mortgages and foreclosure rates and generally decrease property values.

The Tax Reform Act of 1986 reduced the incentives for savings and capital formation by curtailing Individual Retirement Accounts for most Americans, lowering 401(k) plan contribution limits, and denying 401(k) plans to organizations that are exempt under 501(c) of the Internal Revenue Code.

Action Needed Secure the enactment of legislation that will:

1) reduce the Social Security tax rate by one percent for both employees and employers without an accompanying increase in the taxable-wage base, and without triggering a corresponding tax increase elsewhere;

2) permanently extend the Research and Experimentation tax credit and the 25 percent health-insurance deduction for the self-employed, and increase that deduction to 100 percent. (See also Business/Government Cooperation on Technology Initiatives");

3) repeal the luxury tax on aircraft, automobiles, boats, furs, and jewelry;

4) provide passive-loss relief for all active real-estate participants by eliminating the distinction for rental real estate; and

5) restore full IRA eligibility to all Americans and allow withdrawals for first-time home purchases as well as for educational and catastrophic medical expenses.

Social Security

Chamber Position: Reducing the Social Security tax for employees is a constructive means of providing immediate tax relief for middle-class taxpayers by effectively reducing marginal income-tax rates across the board. A rate cut for employers would encourage creation of new jobs by reducing the cost of labor. An offsetting increase in the taxable-wage base, or a corresponding tax increase elsewhere, would negate the economic benefits of a rate reduction.

The Other Side: Some believe: The current level of Social Security taxation is necessary to ensure that the trust fund has adequate savings for future retirement benefit needs. Others believe: Social Security must not be altered in any way.

Expiring Tax Provisions

Chamber Position: These provisions should be extended permanently on the merits -- because permanent extension will benefit the economy in both the long and the short term. Their extension should not continually be held out until the last minute as a bargaining chip for the furtherance of other legislative and political goals.

The Other Side: The size of the federal budget deficit mitigates against the extension of tax credits which will lower federal tax revenues.

Luxury Tax

Chamber Position: The imposition of luxury excise taxes has had a chilling economic effect on the affected industries. Although projected to raise federal revenue, they have led to significant job losses and an overall loss to the federal treasury.

The Other Side: The luxury excise taxes are collected from the wealthiest Americans, adding progressivity to the tax code. Any downturns in the affected industries is related to the overall economic condition and not connected to the imposition of the tax.

Passive Losses

Chamber Position: Eliminating the distinction for rental real estate under the passive-loss rules will help to stabilize property values and improve the health of the nation's financial institutions.

The Other Side: Any attempt to provide passive-loss relief for rental real estate would reopen tax shelters and result in a significant revenue loss.

Individual Retirement Accounts

Chamber Position: IRA eligibility should be restored for all Americans to encourage increased national savings, promote long-term economic growth, and help Americans plan for their family's financial future. Penalty-free withdrawals should be made available for first-home purchases, as well as educational and catastrophic medical expenses.

The Other Side: Expansion of IRAs would only serve to shift existing savings at a significant cost to the federal treasury without generating any meaningful increase in national savings.

Outcomes

- Enhanced job creation.
- Increased private Research and Experimentation expenditures.
- Significantly reduced cost of health insurance for the more than eight million self-employed.
- Increased federal revenues.
- Increased sales and profitability in certain industries.
- Increased real estate values.
- Improved health of financial institutions.

For further information, please call Bill MacReynolds at 202/463-5620.

Obtain Regulatory Relief

Objective Achieve regulatory relief for businesses and consumers, and establish institutional reforms to help ensure that future regulations will not be unnecessarily burdensome or harmful.

Problem Federal regulations are drafted and imposed without due consideration for their ultimate and unintended consequences, in particular how they may interact with other regulatory and economic factors.

Background Government regulation of private markets, whether good or bad, constitutes indirect taxes on individuals and businesses. That regulatory burden has been rising dramatically. Businesses face an onslaught of new regulations from recently enacted legislation and the lifting of President Bush's regulatory moratorium. Regulations already in force have brought layoffs, bankruptcies, and a small-business credit crunch, and have harmed the nation's competitive position in the world economy. If left unchecked, new regulations will reduce business profits, raise prices for consumers, and limit the growth potential of the economy. Because the consumer ultimately shoulders most of the regulatory burden, this hidden form of taxation is regressive, hurting most those individuals of modest means.

In the March 1992 issue of the *Journal of Regulation and Social Costs*, former Office of Management and Budget economist Thomas Hopkins estimates that total federal regulation costs American taxpayers and businesses in excess of $400 billion annually. That translates to an average cost of more than $4,000 per household. A recent Joint Economic Committee report puts current regulatory costs at $461 billion annually and rising, constituting a major impediment to sustainable economic recovery.

Government regulation ought to be a delicate balancing act between real costs and expected benefits. That scale has become permanently tipped against consumers, businesses, and economic growth. To correct this institutional bias, fundamental changes in the legislative/regulatory process are needed.

Congress must adopt procedural rules to ensure that potential costs and benefits are fully spelled out in the legislative process, prior to the enactment of regulatory mandates. The subsequent process of rule drafting and promulgation by agencies must also be reformed. Thorough executive review -- considering all costs and benefits, including those discovered in the drafting and review process -- will ensure that the intent of regulatory legislation is met in the most cost-effective manner.

Reform of the regulatory process would ensure a more reasoned approach to economic and social regulation and promote the development of healthy relationships between business and government through techniques such as market-based solutions and regulatory flexibility. Good policies would also provide incentives for the development of new environmental technologies, without sole dependence on mandates to meet policy goals.

New regulations on banks are hampering small-business lending. Again, there is a delicate balance to be struck between the promotion of sound banking and the need to protect taxpayers from future bank insurance fund bailouts. Currently, the pendulum has swung toward excessive regulation and micromanagement of the banking industry.

Action Needed Secure both temporary regulatory relief and permanent process reform for businesses and consumers through a temporary hold on new regulations, economic-impact legislation, repeal of onerous banking regulations, and expensing of new business equipment needed to comply with new environmental regulations.

Regulatory Reprieve

Chamber Position: Imposing a temporary holding period on the implementation of all new regulations until the economy reaches a targeted growth rate would provide the Clinton Administration time to review the rules already enacted into law but not yet implemented, and would afford businesses temporary relief from the onslaught of higher regulatory costs.

The Other Side: The regulatory moratorium is just a warmed-over gimmick from the Bush Administration's failed economic agenda. Such a freeze provides little economic benefits, but does undermine the promulgation of important health and safety regulations, endangering the health of workers and potentially costing human lives.

Economic-Impact Statements

Chamber Position: Legislation requiring economic- and employment-impact statements for all newly proposed legislation and regulations would provide legislators and regulators with important regulatory cost information before actions are taken, making for better-informed decisions. Such action would ensure that new regulatory actions would not impose undue burdens on businesses, and would not unjustifiably endanger future job creation.

The Other Side: Executive Order 12291 already requires cost-benefit analysis and the regulatory agencies already take such information into consideration when promulgating new rules. Legislation requiring economic- and employment-impact statements for all newly proposed legislation and regulations is a ruse designed to obstruct and prevent regulators from protecting the interests of workers and consumers.

Expensing of Mandated Equipment

Chamber Position: Allowing business to immediately expense the cost of any capital investment necessary to meet mandated regulatory requirements would help offset the enormous up-front expenses associated with meeting new environmental requirements. It would also encourage new investment in environmental technologies that could further reduce the costs of improving the environment in the future. Under the current depreciation system, businesses only recover about 85 percent of the up-front cost of the asset, and this is often recovered very slowly.

The Other Side: Businesses should be required to invest their profits in cleaner technologies instead of exorbitant compensation for corporate executives. The last thing the tax code needs is another big-business loophole that would allow industries to sack the American taxpayers with the costs of cleaning up corporate pollution.

Rationalize Banking Regulation

Chamber Position: Repeal sections of the 1991 banking law that attempt to micromanage banking while adding significantly to the paperwork burden. Laws and regulations have also been enacted that attempt to remove certain risks in banking. This destroys the very nature of banking, which is to take prudent risks. These regulations have exacerbated the small-business credit crunch by stifling lending.

The Other Side: Banks must be carefully regulated to avert a taxpayer bailout of the deposit insurance fund for banks. Well-run depository institutions should be able to make ample loans to qualified borrowers.

Outcomes

- Fewer unnecessary regulations on business.
- Reduced cost of regulatory compliance.
- An end to the small-business credit crunch.
- Increased after-tax profits.
- Increased competitive position internationally.

For further information, please call Julie Gackenbach at 202/463-5620.

Enhance Global Competitiveness (Foreign Tax Provisions)

Objective Secure amendments to the foreign tax provisions of the Internal Revenue Code to enhance the competitive standing of U.S. businesses in global markets.

Problem Existing foreign tax provisions discourage investment by American firms in other countries, as well as investment by foreign corporations in the United States, thus reducing U.S. employment and harming the U.S. economy.

Background American-owned businesses operate in an increasingly globalized economy. U.S. companies establish overseas operations for a variety of reasons, including proximity to local markets and improved access to foreign transportation and distribution systems. Foreign-based companies set up operations in the United States for many of the same reasons and because of the strength of the American economy, increased market opportunities, and a stable business climate and labor pool.

The present system of U.S. taxation of foreign-source income does not reflect this globalization. Research studies indicate that the present foreign-tax system is eroding the international competitiveness of domestic corporations, putting U.S. multinationals at a distinct disadvantage vis-a-vis their foreign competitors.

Current policies contributing to this problem include restrictions on the deferral of tax on reinvested foreign earnings; restrictions on pricing for the licensing or transfer of intangible property; changes in the allocation and sourcing rules for domestic and foreign income; and complex passive foreign investment company rules. By imposing broad and complex limitation rules on the use of the foreign tax credit, the original purpose of the credit is all but defeated, resulting in increased excess and unused foreign tax credits accumulated by U.S. companies. In addition, burdensome and harmful recordkeeping rules have also been imposed on foreign companies doing business in the United States.

Recent tax legislation, including the 1986 Tax Reform Act, increased federal taxes on U.S.-owned multinational corporations and foreign corporations operating in the United States, generally worsening an already difficult situation.

Action Needed Educate policymakers regarding the harmful effects of the foreign provisions of the U.S. tax code.

Secure enactment of specific tax measures designed to lessen the tax-compliance burdens placed on U.S. corporations doing business in global markets and on foreign corporations doing business in the United States.

Ensure that the business community's viewpoint is heard and understood during Treasury Department and Internal Revenue Service regulatory projects and tax-treaty negotiations.

Chamber Position

Existing foreign-tax policies make the operations of U.S. corporations doing business overseas needlessly complicated and expensive. By acting as a disincentive to both investment by American firms in other countries and by foreign corporations in the United States, these provisions harm the competitiveness of American industry, reduce U.S. employment, and dampen economic growth.

The Other Side

American-owned corporations should conduct the substantial majority of their production and research activities within the United States. Present tax laws allow U.S.-owned corporations and foreign corporations to avoid payment of U.S. taxes, inappropriately eroding the domestic tax base.

Outcomes

- Enhanced international competitiveness.
- Increased U.S. employment and economic growth.
- Reduced compliance burdens.

For further information, please call Julie Gackenbach at 202/463-5620.

RENEWING

AMERICAN ENTERPRISE

Put Our Fiscal House In Order

U.S. Government spending – and with it, the $4 trillion U.S. public debt – continues to grow at record rates despite attempts to slow it. And as an ever-increasing amount of each taxpayer dollar goes to servicing that debt, so grows spending on entitlement programs and "pork barrel."

The United States cannot spend its way out of its debt crisis. Instead, tougher deficit-fighting policies, such as a presidential line-item veto, entitlement reform, and a fundamental overhaul of the budget process, are needed to bring the deficit under control.

Balance the Federal Budget

Objective Achieve a balanced federal budget through a tax or spending limitation/balanced budget amendment to the Constitution.

Problem Currently available mechanisms of controlling government spending have proven ineffective; the existing process is biased toward tax increases and (even more so) away from spending cuts. Federal spending has exceeded revenues in every year since 1969, despite sometimes large increases in revenues. Despite the tax increases and promised spending restraint of the 1990 Omnibus Budget Reconciliation Act, the deficit continues to rise. Continued failure to bring spending in line with revenues will result in higher taxes for business and consumers over the longer term, prolonging slow economic growth.

Background According to the Congressional Budget Office, the budget shortfall for 1993 will reach a record $331 billion. But the deficit problem is not due to tax rates or federal revenues being too low. A case in point: From 1980 to 1990, annual federal revenues *doubled*, yet federal spending increased even faster. Thus, a properly constructed constitutional balanced budget/tax limitation amendment would limit the overall growth of government *spending*.

One approach is a balanced budget amendment with 1) a requirement that total outlays in any budget year not exceed total receipts and 2) a provision limiting total spending to some percentage of the previous year's estimated GDP. These provisions could only be overridden by a "supermajority" (i.e., three-fifths) vote of both houses of Congress. Another supermajority approach would limit taxes to the rate of economic growth. Either approach would prevent the budget from being balanced on the backs of businesses, at ever-higher levels of taxes and outlays.

In 1992 both the House and Senate voted on, but failed to pass by the requisite two-thirds majority, various balanced budget amendments. The real battle was in the House: a straight balanced budget amendment with no supermajority limits on either taxes or spending, fell just nine votes shy of passage. Had it passed, Congress would have had to spell out how it intended to shrink the deficit.

A supermajority spending amendment and a tax-limitation amendment were also defeated, 170-258 and 200-227, respectively. The spending-limitation amendment would have required Congress to balance the budget via spending restraint, and would have provided Congress an incentive to pass legislation to promote economic growth so that spending could be less restrained. The tax-limitation version of the balanced budget amendment, by limiting the power to tax and borrow, would have ultimately acted to restrain spending by making it difficult to raise taxes for budget-balancing purposes.

Action Needed Spearhead efforts to enact a tough balanced budget amendment with a supermajority-vote provision serving as an anchor on total taxes and spending.

Chamber Position

The only way to improve the budget process permanently is to change the rules. As demonstrated by the 1990 budget deal's failure to reduce the deficit, the problem is not lack of new tax dollars, but excessive spending. A balanced budget amendment with a tough supermajority anchor on total taxes and spending would provide the needed restraint -- restraint that could not be undermined by congressional meddling.

The Other Side

The balanced budget amendment is simply another budget gimmick designed as a political substitute for the tough choices needed to balance the budget. It would also prevent Congress from raising needed new revenues, and would hinder federal responses to unforeseen budget emergencies. If the president and Congress were unable to agree, important tax and budget decisions would be shifted to the unelected officials of the courts.

Outcomes

· Lower tax burdens for businesses and consumers.
· Permanent controls on federal spending.
· Budget and interest savings that can be spent on tax cuts or reinvested elsewhere, such as on new infrastructure investment.

For further information, please call Bill MacReynolds at 202/463-5620.

Set New Spending Priorities

Objective Secure reforms that will restrain federal spending growth and fund new investment needs by creating new spending priorities, eliminating "pork barrel" spending, reforming entitlement programs, and imposing a government hiring freeze.

Problem Government spending continues to rise faster than the private-sector growth rate, with some of this spending serving no constructive national purpose, adding to the federal deficit, creating a drag on the national economy, and further complicating efforts to establish proper spending priorities for government.

Background During the past decade virtually every institution in the country, from Fortune 500 companies to churches, has "downsized," employing new technology and management techniques to enhance operating efficiency. That is, every institution save one: government.

In fiscal year 1993, the federal government will consume 24.1 percent of Gross Domestic Product, up from 22.1 percent in 1988. Despite this increase in spending, the funds needed for new investments in transportation and other infrastructure projects remain unavailable and monies earmarked for such purposes in trust funds are spent instead on current consumption. An explosion in mandatory programs, congressional "pork-barrel" spending, and federal-agency employment has diverted funds away from more productive public investments and growth-enhancing tax cuts.

As most budget analysts are quick to point out, the lion's share of spending growth has come from entitlement programs, which grow automatically, and often exponentially, based on cost-of-living increases, increases in demand, and changing demographics. Such mandatory programs now account for more than half the federal budget.

A second area of dramatic growth has been in the federal bureaucracy itself -- both the Executive and Legislative branches. Federal employment reached an all-time high in 1990, with nearly 3.1 million people on the federal payrolls, a 3.3 percent rise over the previous year. Congressional staff has likewise increased, from 36,490 in 1986 to 38,200 in 1991. Still another problem area is congressional "pork" -- local programs with no national purpose but powerful political constituencies in home congressional districts.

Without serious efforts to prioritize away from current consumption, limit the growth of bureaucracy, and reform entitlements, there will be no funds to finance many of the new public investments proposed by the Clinton Administration without slowing down the growth in the private economy.

Action Needed Establish spending priorities that will reduce some expenditures (outlays) while freeing up other resources for greater investment in infrastructure and growth/investment-enhancing tax cuts, limiting the growth rate of federal spending below the Gross Domestic Product growth rate.

Spending Prioritization

Chamber Position: A significant proportion of federal outlays are earmarked for current consumption and

The Other Side: The federal budget is already fat-free and discretionary programs are starved for funds.

wasteful "pork barrel" projects. Spending must be prioritized to allow for needed public investments without breaking the overall budget.

Shifting funds away from existing programs into new investments would further reduce the government's fundamental investment in its people.

Entitlement Reform

Chamber Position: Congress and the President should establish a series of entitlement-reform commissions to recommend changes to entitlement legislation that would bring the growth rate of these mandatory programs back to sustainable levels. Without such limits on the growth of mandatory programs, they will become unsustainable in short order.

The Other Side: The most important investment government can make is in its people. Cutting entitlements would hurt people first, particularly the poor, the sick, and the elderly.

Federal Hiring Freeze

Chamber Position: Federal-agency and congressional staff rosters tend to grow without regard to voter demand for their services. Severe measures are needed. Imposing a freeze on all employment in both the Executive and Legislative Branch employment is crucial to ensuring that the bureaucracy (and thus the budget to finance that bureaucracy) remains in check. Further cuts should also be made where appropriate.

The Other Side: The important work of Congress and regulatory agencies is hard enough as it is. Cutting back on staff would leave important oversight and enforcement functions unfulfilled, leaving consumers, workers, and the environment at risk.

Outcomes

- Lower tax burdens for businesses and consumers.
- Controls on federal spending.
- Budget and interest savings that can be used for tax cuts or new infrastructure investment.

For further information, please call Bill MacReynolds at 202/463-5620.

Reform the Budget Process

Objective Secure budget-process changes, including presidential line-item veto/enhanced rescission authority, the elimination of current-services budgeting, and the establishment of fixed spending/deficit caps to provide for a more rational allocation of scarce tax dollars among competing public demands.

Problem Currently available mechanisms of controlling government spending have proven ineffective. Massive "omnibus" spending packages force the President to choose between legislative gridlock or signing on to spending bills loaded down with special-interest pork. Vast increases in spending have been obscured by "current services" budget accounting, where reductions in *projected* spending increases are considered budget cuts. And despite the promises of spending restraint and deficit reduction made with the enactment of the 1990 budget agreement, both outlays and red ink continue to rise. Because there is little discipline on the federal budget, businesses and consumers face the prospect of ever-increasing taxes.

Background Facing an estimated budget deficit of $200 billion in FY 1991, in the fall of 1990 Congress passed and the President signed into law the largest tax increase in the history of the United States (part of the Omnibus Budget Reconciliation Act of 1990). The raison d'etre behind this massive package of tax increases and promised spending restraint was to eliminate the federal budget deficit and strengthen the economy. It was claimed the budget-process changes, which replaced the fixed-deficit targets under Gramm-Rudman with flexible spending and deficit caps, would finally put the lid on federal spending.

Years after enactment of this highly touted "deficit reduction" agreement the budget process is still broken, and even aggravated by the changes made in 1990. The cumulative budget deficit between 1991 and 1995 will be $1.3 trillion higher than it would have been under Gramm-Rudman. Domestic discretionary spending alone increased by $47 billion (25 percent) between 1989 and 1992. Mandatory programs (excluding interest on the national debt) rose $187 billion (26 percent) during the same period. Total spending as a percentage of GDP has risen 2 percentage points, to 24.1 percent.

A number of changes would help improve the budget process. First, enactment of a tough enhanced-rescission/line-item veto provision. With line-item veto authority, the President could cut pork-barrel spending by reducing or eliminating specific line-items from massive appropriations bills. A supermajority of Congress would have to vote explicitly to restore funding for such programs. Second, elimination of current-services budgeting. Vast increases in spending have been obscured by such deceptive accounting, where reductions in projected spending increases are considered budget cuts.

Finally, the Budget Enforcement Act must be completely overhauled, replacing its *flexible* spending and deficit targets with *fixed* caps on total spending, on the separate budget categories, and on the deficit. These caps would be enforced by an across-the-board spending sequester, excluding Social Security and interest on the debt.

Action Needed Secure enactment of line-item veto/enhanced-rescission legislation; the elimination of current-services budgeting; and amendment of the Budget Enforcement Act to provide for fixed spending/deficit caps.

Line-Item Veto/Enhanced Rescission

Chamber Position: Congressional "logrolling" in the appropriations process (i.e., "If you won't make a fuss over the funding of pet projects for my home district, I won't make a fuss over yours") produces massive, "omnibus" spending packages laden with senseless pork. These must be curtailed by giving the President authority to cut or eliminate line-items from spending bills.

The Other Side: Giving the President line-item veto authority would produce little in budget savings and would undermine the intent of the Constitution by shifting the balance of power from the Legislative Branch in favor of the Executive Branch.

Eliminate Current-Services Budgeting

Chamber Position: Unlike household budgets, where an increase in spending is an increase in current dollars, an increase in federal spending for any program is considered a cut in spending unless it exceeds the estimated increase necessary to maintain current services. If such confusing and deceptive budget practices were eliminated, congressional opponents of spending restraint could no longer decry "cuts" where spending is actually increasing significantly.

The Other Side: Elimination of current-services budgeting would indeed be deceptive, for it would allow legislators to claim increases in nominal program spending while actually cutting real spending power.

Fixed Deficit and Spending Caps

Chamber Position: Replacing the current budget-enforcement process with fixed instead of floating targets would put the lid on deficit spending and finally force legislators to make tough spending choices without immediately resorting to increased tax revenue.

The Other Side: Placing fixed caps on federal spending and the deficit is another example of budget gimmickry suggested by those unwilling to make the tough choices on taxes and spending. Such caps would also limit the federal government's ability to respond to economic emergencies.

Outcomes

- Lower tax burdens for businesses and consumers.
- Controls on federal spending.
- A more rational allocation of federal resources.

For further information, please call Bill MacReynolds at 202/463-5620.

RENEWING AMERICAN ENTERPRISE

Fix Health Care

U.S. health care spending is outracing the health care costs of Japan, Germany, and Canada. Nonetheless, 37 million Americans are without insurance, and millions more cannot afford the care they need. On the corporate side, a leading U.S. auto manufacturer reports that it spends more on health care than on steel for inclusion in its cars.

The U.S. must contain health care costs and improve access to stay on par with its competitors. The answer lies in the development of a new policy that ensures universal access while facilitating the type of industry-wide competition that drives costs down.

Reform Health Care

Objective Secure enactment of health care reform legislation at the national level that will 1) ensure universal access to health care, 2) facilitate competition for patients among hospitals, doctors, and other health care providers based on price, quality, and service, and 3) encourage cost-conscious behavior on the part of consumers and health care providers.

Problem U.S. health care spending has increased from 9.1 percent of gross national product in 1980 to more than 14 percent today, with projections between 18 and 20 percent for 2000. While overall health care cost increases have outpaced general inflation, health care costs to employers in recent years have increased 20 to 30 percent annually. The problem is even more acute for small businesses, which face an insurance industry that bases rates on claims experience and excludes employees who are already sick -- or even entire groups -- in an effort to minimize financial risk. Health coverage for small business is looking less like insurance and more like a program of prepaid annual medical expenses. In addition, as many as 37 million Americans are uninsured.

Even as costs have increased, questions have arisen about the quality and appropriateness of care. Researchers judge a significant percentage of services delivered to be inappropriate or ineffective. In addition, research has shown wide variations in the use of procedures across geographic regions, with no apparent medical justification.

Businesses have instituted a variety of measures to help control costs, including managed care, cost-sharing, and self-insurance, and are increasingly demanding information on the quality and prices of services from hospitals and doctors. Nevertheless, cost *control* remains elusive. Many providers still operate under fee-for-service medicine, giving them financial incentives to provide more services. Consumers, accustomed to having their insurance companies pay most of their bills, remain relatively unconcerned about cost. Moreover, most patients lack adequate information to make cost-benefit calculations or to participate fully in their treatment decisions.

Nearly all analyses identify the health care system's administrative component -- especially the lack of adequate data and reluctance to employ more-efficient electronic recording and information processing -- as a major problem.

Background The factors fueling health care inflation are complex and interrelated: an aging population, a third-party payment system that insulates consumers from the true cost of care, patient expectations and financial incentives for physicians always to do more (i.e., perform more tests), public-health challenges such as AIDS and tuberculosis, and a litigious society that forces physicians to practice "defensively."

While the uninsured population is not homogeneous, it is primarily low-income, and its members most commonly are either employees of small businesses or their dependents.

All parties -- businesses, consumers, hospitals, doctors, insurers, etc. -- agree the status quo is unacceptable. There is growing consensus on a solution that retains a private, but more structured, health insurance system that would shift the financial burden onto physicians and hospitals to deliver sound medical care economically. Such a system would include giving insurance purchasers information -- on price, patient satisfaction, and performance -- with which to judge competing plans, and would ensure that insurers accept all applicants, regardless of how sick they are, and charge all enrollees about the same price. This approach goes by the name "managed competition" and commands support from a wide variety of constituencies.

Still, political and budgetary realities will continue to complicate the debate. Congressional and other government leaders may remain wary of moving ahead -- especially when most proposals carry $30 billion or greater annual price tags -- until public support coalesces around a specific proposal.

Many, including President Clinton, believe the establishment of a computerized medical-records and claims-processing system would increase effectiveness in health care delivery while increasing the ability of providers and payers to monitor and improve the quality, appropriateness, and efficiency of medical care. Such data would also constitute a vast information resource upon which to base health care policy and scientific research.

With health care costs responsible for much of the increase in federal spending, and business support beginning to coalesce around managed competition, many observers believe Congress will enact major health care reform legislation by the end of 1994.

Action Needed Work with the Clinton Administration and Congress to secure health care reform that satisfies the Chamber Federation's objectives for health care, specifically including: removing regulatory impediments to and encouraging group-pooling arrangements; expanding the use of managed care in private-sector health plans and in Medicare and Medicaid; enabling health care purchasers to make cost- and quality-conscious decisions by requiring hospitals, doctors, and other health care providers to furnish information on fees and treatment outcomes and alternatives; preventing the proliferation of excess equipment and facilities through constraints on capital spending; eliminating or preempting state laws that mandate benefits or impede managed-care and other cost-containment programs; fully funding and providing Medicaid coverage to all Americans with incomes below the poverty level; extending to the self-employed a 100 percent tax deduction for health benefits; accelerating the development and use of national medical-practice guidelines and using them as an absolute defense to medical-malpractice lawsuits; and promoting the use of a computer-based patient information and claims processing system with strong privacy and security safeguards. Continue to participate in the development and refinement of managed-competition legislation.

National Health Insurance

Chamber Position: National health insurance would not eliminate the gross administrative inefficiencies within the existing health care system, nor would it offer physicians or hospitals any incentive to practice lean and effective medicine. Such a system would likely result in delays in obtaining care for some serious problems -- delays the American public thus far has indicated it is unwilling to tolerate.

The Other Side: A government-financed and administered national health insurance system is the only way to ensure universal access while controlling costs. A single-payer plan would be much more efficient and cost-effective than the current fragmented system.

Practice Parameters as a Defense to Medical Malpractice Lawsuits

Chamber Position: Much of the care currently given is inappropriate or unnecessary. Practice parameters would lay out the current best treatment according to research showing what works and what doesn't, thereby keeping physicians more up-to-date in their practices and cutting down on defensive and unnecessary medicine.

The Other Side: Physicians should not be forced to practice "cookbook" medicine. Medicine is as much an art as a science, and identical treatment may produce quite different results on different patients. A physician's actions should not be hindered by or judged according to a government-generated guideline.

Mandated Employer-Provided Health Insurance

Chamber Position: Mandated employer-provided health insurance is not an economically sound solution. It assumes that employers not currently providing insurance do not wish to provide insurance, rather than recognizing the prohibitive factors of affordability and availability. Under a mandate, employers unable to raise prices would have to cut wages or fire employees, further burdening a portion of the economy already at risk.

The Other Side: If the nation is to retain an employer-based private health insurance market, all employers must participate. Because two-thirds of uninsured persons are connected to the work force (as employees or their dependents), mandating that employers provide and help pay for health insurance is the most efficient way to extend coverage to this population. Without a mandate, employers already providing coverage pay twice -- once for their own employees and again for those without health insurance through higher doctor and hospital bills. These companies also suffer a competitive disadvantage from companies shirking their

Outcomes

· A system in which the rewards for health care providers are adjusted to place greater emphasis on healthy outcomes.
· Health care inflation reduced to a rate close to general inflation.
· Universal health coverage.
· Constriction or elimination of hospital and physician cost-shifting.
· Improved quality of care.

For further information, please call Kristin Bass or Lisa Sprague at 202/463-5514.

RENEWING

AMERICAN ENTERPRISE

Create A Highly Skilled, Globally Competitive Work Force

The continued strength of America's economy depends on the quality of its work force. However, the nation's public school systems appear to lag behind the systems of Japan, England, France, and Canada in terms of preparing young people for the rigors of the working world. Meanwhile, older U.S. workers have increasing difficulty obtaining the new skills necessary to compete in today's highly automated work environment.

Better pre-school programs and increased attention to K-12 education are crucial to ensuring that America's schools turn out students well-versed in mathematics, science, and foreign languages. An overhaul of existing worker retraining programs is needed to teach adults the skills needed to produce highly sophisticated products.

Provide Everyone the Basics
(Pre-Kindergarten through Age 18)

Objective Secure increased and better-targeted human and financial investment in education by both the public and private sectors, in order to improve students' chances to become contributing members of the work force and society. Move corporate and chamber of commerce members toward meaningful involvement in education at the state and local levels.

Problem The present system of public education is producing a citizenry poorly equipped to contribute effectively to the maintenance of a viable and growing economy or to help the United States compete in international markets.

Background American business needs a work force which is well-equipped in the major subject areas and possesses strong interpersonal and analytical skills. But current trends (e.g., high dropout rates and deficiencies in math, science, and reading) suggest public schools are not meeting employers' needs. Other factors decreasing students' capacity to function well in the workplace include problems of poverty, inadequate access to positive role models, incoherent public policies for helping non-college bound youth make the transition between school and work, and an overall lack of investment in training for potential workers. Clearly, education and training systems must be improved if America is to compete internationally, enjoy economic vitality, and maintain a healthy, productive citizenry.

A set of six national education goals for the year 2000 (adopted in February 1990 by the Bush Administration and the nation's Governors, including then-Governor Clinton) has been embraced by thousands of communities nationwide. These goals call for preschool readiness; a high-school graduation rate of at least 90 percent; proficiency in major subject areas; global leadership in math and science; adult literacy; and public schools free of drugs and violence. To meet the goals by 2000, America needs public and private incentives for investing in children from preschool through high school graduation. This can be accomplished through the enactment of sound public policy at the federal, state, and local levels, and through a business community committed to investing in the work force of tomorrow.

The U.S. Chamber has created the Center for Workforce Preparation and Quality Education to mobilize a national grassroots education-reform campaign. A major role of the Center is to equip state and local chamber of commerce executives with timely, thoughtful, and action-oriented information on how to meet the unique educational needs of each community. Center and Chamber staff will work together during 1993-94 to coordinate a "Human Capital Investment Initiative" that coordinates all policy issues affecting the future work force.

Action Needed Assist in the formulation of sound education policies at the federal, state, and local levels that address 1) world-class standards in major subject areas; 2) a national assessment system for measuring progress in meeting these standards; 3) Chapter One and Head Start funding levels; 4) improvement in vocational education and apprenticeship systems; 5) the modeling of international training programs; and 6) educational technology as a pedagogical tool for learners of all ages. Continue to assist local business, education, and community leaders in the development of successful education-reform and adult-literacy programs, and in identifying the best methods of allocating and spending education resources.

Increased Government Investment

Chamber Position: Government must examine the issues of standards and national examinations as a means of meeting the national education goals. Chapter One and vocational education programs also should be revisited. Business and education leaders must work with public officials to ensure that programs are meaningful and not over-regulated.

The Other Side: Some groups believe: the education goals are an unrealistic strategy for improving education on a national scale. The government role should be limited to increasing funding levels.

Increased Private-Sector Investment

Chamber Position: Business leaders and chamber of commerce executives should be catalysts in formulating community-wide efforts to improve preschool, elementary, and secondary education programs.

The Other Side: Some educators and school officials: oppose any meaningful change in the status quo, and perceive business involvement in education as an attempt to control local public school systems. Others believe: poor employee quality and local economic decline do not necessarily correlate with deficiencies in education.

Outcomes

- Higher-caliber entry-level work force that is more competitive internationally
- Enhanced public/private partnerships.

For further information, please call Jill Scheldrup at 202/463-5525.

Train "Up" the Existing Work Force (Human Capital Investment)

Objective Stimulate public and private investment in training and retraining the current work force to enhance America's competitive position in the global economy. Coordinate all existing federal training programs.

Problem A gap has emerged between the skill levels of employees and the requirements of business, impeding growth for countless individual businesses as well as the national economy. Without concerted action, this gap will only increase as businesses of all types, in order to remain competitive, increasingly adopt high-technology methods in all their operations.

Background America faces an enormous challenge in adapting to a number of major demographic, educational, and technological trends. Changes brought by the acceleration of technology have changed the nature of jobs, leading employers to require higher skill levels than ever before. It is expected that most jobs by 2000 will be highly technical or specialized, requiring reasoning, interpretive, mathematical, and analytical skills, with only 27 percent of new jobs falling into low-skill categories. Fifty million workers, or 42 percent of the work force, will need additional training to keep pace with these skill demands.

Education and demographic trends suggest America's ability to adapt to workplace changes will be impeded. More than 50 percent of net new workers in 2000 will be immigrants and minorities, groups which traditionally have been the least prepared to meet changing job requirements brought by growth in technology. Exacerbating this situation are trends in education which suggest continuing high dropout and illiteracy rates and poor overall student performance. These issues can only be addressed through a fundamental rethinking of the manner in which America invests in its current work force.

For the past 15 years, the United States has engaged in a faulty human-capital investment strategy, one that targets participants and beneficiaries, discourages unemployed workers from participating in viable retraining programs, and ignores the needs of the dominant employment sector in the U.S. economy -- small business. The need for training programs that service a limited clientele is gone. Such programs must be replaced with effective private and public policies, programs, and partnerships that focus on "human capital" -- employers, employees, and their dependents. This can initially be accomplished by revisiting the intent and delivery of government programs affecting job training, tax policy, unemployment insurance, education, and health and welfare.

The U.S. Chamber has embarked upon a strategic and comprehensive human capital investment initiative. This effort will coordinate U.S. Chamber policy so that a number of human resource, taxation, economic, and international policy issues with specific application to the American work force come under one umbrella. The initiative builds upon current efforts to promote business involvement in education reform at the K-12 level.

Action Needed Work with government leaders to help eliminate duplication in the delivery of job-training and retraining programs; remove disincentives connected with the current unemployment-insurance system; support a training tax credit; and develop a national technology policy that will make innovative computer systems available for learners of all ages.

Coordination of Job-Training Services

Chamber Position: The delivery of federal job-training and welfare services should be coordinated into one-stop "skill centers" at the local level. The intent is not to consolidate these services, but to make them more customer-oriented.

The Other Side: Such an effort would be an impossibly massive undertaking; it is extremely doubtful the public and private sectors would be able to carry it through. Also, in some cases such proposed "coordination" would violate the original intent of the legislation; these programs were well-targeted to begin with and remain so today.

Tax Options that Encourage Investment in Human Capital

Chamber Position: Current tax policy must be expanded to provide credits to employers that invest in the training and retraining of workers.

The Other Side: A training tax, or some sort of mandate that requires business to invest in the upgrading of its work force, would be preferable. If the goal is to train and retrain workers, it should be done universally, and not left to the self-interested discretion of individual employers.

Integrate Technologies

Chamber Position: Business and government leaders must join forces to implement computer-based learning systems into schools, and make them available for adult learners during non-school hours. Policies that encourage employer investment in technology should be explored and advocated.

The Other Side: Technological learning systems would be too expensive to pursue. Moreover, however well-intentioned, it is inappropriate and dangerous to democracy for the roles of business and government to become intertwined.

Outcomes

- Higher-caliber work force.
- Stronger economy.
- Increased ability to compete internationally.
- Enhanced government training programs.

For further information, please call Jill Scheldrup at 202/463-5525.

Promote Cooperative Business-Labor Relations

Objective Block passage of legislation restricting the right of employers to hire permanent replacements for economic strikers. Secure enactment of legislation that encourages the use of modern work force organization and business practices, while effectively protecting employer and employee rights.

Problem Federal labor law is based on the premise that collective bargaining is an adversarial relationship relying on various degrees of conflict between unions and management. Yet modern management methods, enlightened employee-relations policies, and increasing pressure for cooperative methods of improving workplace and product quality, require federal employment laws that encourage continual improvements in competitiveness while assuring employer and employee collective bargaining rights. A ban on the employment of striker replacements would only encourage strikes, threaten jobs, and perpetuate a conflict-based collective bargaining system.

Background For more than 55 years federal employment law has effectively ensured the right of employees to form and join unions, elect to be represented by unions, and bargain collectively with employers to improve wages, hours, and working conditions. Similarly, the law has provided employees the right to select another union to represent them or remove a union as their representative. The law requires employers to bargain in good faith, with a duly elected union representing its employees, and likewise forces a union to negotiate in good faith and fairly represent the employees who elected it to be their representative.

The law has delicately balanced the economic leverage of unions and management by giving unions the right to strike to force agreement to demands, and employers the right to resist strike-enforced demands by hiring, if necessary, replacements for striking workers. In the mid-1950s unions represented more than one-third of the private-sector work force in the United States. Today unions represent less than twelve percent of private-sector American workers. This decline has been gradual but constant. The causes are many and complex, but are directly related to the shift of the U.S. economy from heavy manufacturing to high-tech engineering and the providing of services. Additionally, American employers have adopted progressive human resource management techniques based on the cultivation and care of their "human capital."

The emergence of a truly global economy, with increasing competition from other countries, has forced American employers to adopt policies and practices designed to achieve consistently the highest quality possible. Such practices usually require the involvement of employees organized in small groups or teams. Often these teams are self-managed and operate with little or no direct supervision. Such methods of work force organization are viewed by some as violative of the federal labor law because, it is alleged, such teams supplant unions; they therefore must be prohibited. In this manner the law is used to impede, rather than encourage, American industry and commerce.

Some would upset the balance between unions and employers in collective bargaining by prohibiting employers from hiring replacements for workers engaged in an economic strike. This change to the law would discourage efforts to improve productivity through cooperation, encourage strikes, and make collective bargaining more adversarial and conflict-based than it has ever been.

Action Needed

Block enactment of proposed labor law amendments that would prohibit hiring striker replacements, discourage employer/employee cooperation, and lead to increased labor/management conflict and strikes. Formulate a legislative proposal to amend the law so that it 1) reflects modern human resource management principles and increased employee involvement in employer processes and production; and 2) encourages American competitiveness.

Employment Law Improvements

Chamber Position: The National Labor Relations Act arguably prohibits many of the modern employee empowerment and quality-improvement practices now in widespread use throughout the economy. Some of the policies and procedures of the National Labor Relations Board may need revision. Specific reform of federal labor law, acknowledging concepts and practices unheard of when the law was enacted, would improve the competitiveness of American companies while enhancing the right of employees to engage in collective bargaining, if they so desire.

The Other Side: Amendments to the federal labor law should include measures to level the playing field between unions and employers by, among other things, increasing the penalties for violations of the Act; providing speedier remedies; prohibiting the use of permanent replacements for strikers; removing impediments to union organizing; and expediting the procedures of the NLRB.

Striker Replacement Legislation

Chamber Position: Striker replacement proposals are special-interest legislation intended to benefit only organized labor and giving unions unchecked power to force employers to agree to bargaining demands, regardless of how unreasonable they may be. Such legislation would worsen the conflict-based relationship between unions and employers while encouraging crippling strikes and impeding economic and job growth. The current law is delicately balanced and has proven effective, giving equal economic leverage to both unions and employers. A striker replacement prohibition would encourage strikes and boost union organizing efforts throughout the economy.

The Other Side: The right to strike effectively is denied by the hiring of permanent replacements for striking employees. There is no meaningful distinction between firing economic strikers (illegal under current law) and permanently replacing them (currently legal). Employers provoke strikes through hard bargaining, then replace striking employees and are generally able to win an election decertifying the union a year later. (Strikers lose voting rights in the bargaining unit one year after they are replaced.) This is union-busting. Union membership and strike activity have declined over the years precisely because of such aggressive and increasingly successful anti-union activity by employers. Employee teams are merely a devious way of preventing employee union activity.

Outcomes

· Increased government (NLRB) support for improved work force organization and employee involvement.
· Enhanced overall American competitiveness.
· Retention of employer's right to hire permanent replacements, if necessary, during an economic strike.
· Reduced conflict, adversarial behavior, and strikes, with improved cooperation and efficiency in labor/management relations (a win-win result).
· Increased effectiveness in assuring employees' rights to join unions and bargain collectively.

For further information, please call Peter Eide at 202/463-5517.

RENEWING AMERICAN ENTERPRISE

Give Entrepreneurs And Workers The Tools To Compete

The quality of a country's infrastructure – especially telecommunications and transportation – is a key factor in its ability to attract and maintain investment. Modern infrastructure is essential to doing business and to maintaining a high standard of living. And yet, U.S. roads, telecommunications networks, and public transportation are starting to fall behind those of other industrialized nations.

Another key to the continued livelihood of the U.S. economy is its ability to foster the development of cutting-edge technologies. The U.S. government needs to increase its cooperation with corporate America by sponsoring more research and helping firms to compete with their heavily subsidized foreign competitors.

To stay competitive, the U.S. needs to upgrade its telecommunications systems, repair and improve its transportation systems, and secure new assistance from government in easing the development and commercialization of key technologies.

Expand the Telecommunications Infrastructure

Objective Ensure that the development of an advanced communications network improves the delivery of business services and enhances productivity on a national and local level, while meeting the education, training, and health care needs of local communities.

Problem America's competitive position in the 21st century will depend in large part on the nation's ability to develop and maintain an advanced telecommunications infrastructure capable of efficiently processing vast amounts of information and making such information available in productive ways to communities nationwide.

Background Advances in computer technology and the process of global economic integration have made access to advanced telecommunications services essential in virtually every sector of the U.S. economy. Building a modern global communications network will be as important to the emerging "Information Revolution" as railroads, bridges, and canals were to the Industrial Revolution more than a century ago.

The communications revolution is leading inevitably to the merger of the telecommunications, computing, and entertainment industries. The engines of this modern revolution are fiber-optic cables, satellites, computerized switches, cellular phones, and the software that knits them all together. These technologies allow for greater and faster flow of information cheaply and reliably, but can be expensive to develop and integrate into the communications network. Federal, state, and local governments, working with private industry, should make a national commitment to facilitate the development of the telecommunications infrastructure and underlying technologies, as well as implement the institutional reforms necessary for U.S. companies to compete effectively in highly technical, global markets.

Under the High Performance Computing Act, enacted in late 1991, the first pieces of the National Research and Education Network (NREN) will be put in place. NREN will establish computer links between America's leading research centers, which reside mainly within the federal government and at private institutions of higher learning. However, America's challenges are so great that these high-performance computing links need to extend beyond laboratories, universities, and supercomputer centers.

Properly utilized, high-performance computing in conjunction with high-speed networks offers the opportunity to improve the quality of life for all Americans. By better coordinating the needs of the government and general public, applications of these systems in local communities can advance the delivery of health care services, improve education, provide opportunities for lifelong learning, enhance industrial design, spur intelligent manufacturing technologies, and ensure broad access to important databases, electronic mail, and other resources.

Investment in a nationwide communications network could also help reduce traffic congestion and pollution, as communications via computer and video conferencing become more commonplace. It has been estimated that the United States could save $23 billion a year just by using communications to replace 10 to 20 percent of the business activity now requiring transportation.

Action Needed

In setting the framework for a nationwide communications network, emphasize the needs of local communities by addressing business services and social needs such as education, training, and health care. Address the privacy, national security, and other legal issues relating to such a network. Encourage the formation of community-based learning and information delivery systems, which would tie in to the nationwide network. Establish a legal and regulatory climate that fosters private-sector investment in an advanced communications network.

Chamber Position

Federal, state, and local governments and the private sector should work together to facilitate the development of an advanced national communications network that could dramatically improve business services and productivity as well as access by local communities to education, training, and health care.

The Other Side

The United States is unique among countries in that much of our public telecommunications infrastructure has been developed and maintained by private companies. The government is not needed to spur development of a nationwide communications network -- competition among private communication providers will produce the necessary advanced data links needed

Outcomes

- Enhanced ability to compete on a global basis in the 21st century.
- Enhanced ability to deliver business and social services to local communities.
- Potential to create vast new markets for private-sector investment and job opportunities.
- Stimulation of major new national research and development efforts.

For further information, please call Lisa Sockett at 202/463-5528.

Transportation Infrastructure

Objective Secure the repair, improvement, and expansion of the transportation infrastructure system as needed to improve the nation's economic productivity, international competitiveness, and quality of life.

Problem Insufficient investment in transportation infrastructure and the inadequate management of these limited funds have damaged national competitiveness in the global marketplace. Some political and social goals may have the unintended effect of further undermining the viability of the transportation network.

Background In today's world, the ability to exchange goods and services in an efficient and cost-effective manner is intrinsically linked to international competitiveness, economic productivity, and quality of life. Yet while the United States debates the merits of a sophisticated infrastructure network, some of its competitors are already implementing their own.

There is some agreement in the U.S. transportation community on the nature and scope of the problem, but little consensus on solutions. The root problems come down to a shortage of supply: too few roads and railways, and to a lesser extent air and water facilities; too few opportunities to change between modes easily and efficiently; and too little combination of the strengths of different systems and services.

Several related problem areas must be sorted through before real progress can be made. They include the role of the private sector; environmental considerations; mass transit initiatives; the trust fund issue (the fact that taxes collected for specific infrastructure-related purposes are being used to offset the federal budget deficit); research and development; national security implications; regulations; and defense integration and reinvestment (the need to shift a portion of the defense industry and its personnel to a more non-military focus).

A number of authoritative studies project the price of rectifying the nation's transportation infrastructure deficiencies in the $1 trillion to $3 trillion range, requiring annual outlays of approximately $50 billion to $150 billion (National Governors' Association, 1989).

The 1991 Intermodal Surface Transportation Efficiency Act (ISTEA) was a step in the right direction because it provided new funding and program flexibility; local and state governments now have authority to identify their greatest needs and allocate resources accordingly. However, the flexibility praised from a policy perspective has sparked debate among state and local officials, highway and transit interests, and urban and rural groups. Also, funding for 1993 highway and transit programs fell considerably below the authorized levels established by ISTEA.

Such funding shortfalls can have profound consequences; it has been estimated that a one percent increase in the level of core infrastructure will increase GDP by as much as .24 percent, and that public spending in transportation infrastructure will make possible substantial new levels of private investment. The Clinton Administration has identified such an approach to transportation infrastructure spending -- public spending to spur private investment -- as vital to improving the national economy. Such investment should be used not only to renovate and improve the overall efficiency and speed of the existing system, but to encourage the creation of high-speed rail networks and the development of smart-highway technology and high-tech, short-haul aircraft. Workers displaced from defense-contracting jobs may be redirected toward many such projects.

The Chamber is establishing a transportation advisory group which will seek to shift the emphasis away from the traditional "funding" debate (us vs. them) to what must be done collectively by transportation "providers" and "users" to address the issues of economic productivity, competitiveness, and the quality of life. The advisory group will assess business' needs; evaluate the current status of the nation's transportation infrastructure system; identify alternative strategies for resolving priority issues; and make recommendations to the U.S. Chamber's Board of Directors on initiatives to address major transportation infrastructure deficiencies.

Action Needed

Promulgate a national multi-year plan that integrates transportation infrastructure investment with economic development, global competitiveness, quality of life, intermodalism, and reasonable compliance with governmental mandates. Such a plan will serve as the basis for comprehensive transportation infrastructure reform.

Chamber Position

Transportation policy should ensure continued soundness in the nation's infrastructure by emphasizing short- and long-term solutions that provide both funding and incentive for repair, while encouraging judicious investment for improvements and new technologies. Policy should also emphasize cooperation between local, state, federal, and private entities in regard to responsibility for funding and implementation of programs. Moreover, such a policy should encourage competition for funds by tying the money to planning requirements, giving urban areas and state authorities greater flexibility for particular needs.

The Other Side

Large infrastructure-spending packages are misguided. The argument that public infrastructure spending increases private-sector investment is tenuous at best. We should reduce the federal deficit, not increase it. Moreover, the private sector should bear the principal burden of financing and implementing the transportation infrastructure system. Additional roads and airports cannot by themselves guarantee less congestion. There is not an infrastructure package in existence that is not laden with "pork." Infrastructure programs are political softballs that win constituent approval at the expense of true reform.

Outcomes

- Greater economic stability.
- Improved international competitiveness.
- Creation of new jobs.
- Creation of new technologies and derivative industries.
- Improved quality of life.

For further information, please call Bob Parija at 202/463-5528.

Business/Government Cooperation on Technology Initiatives

Objective Encourage, as a key component of U.S. competitiveness, collaboration and cooperation among business, government, and academic institutions in the development and dissemination of new technologies and production processes. Secure amendment of the National Cooperative Research Act of 1984 to relax the legal restraints on collective manufacturing/production efforts.

Problem The United States is failing to tap the extraordinary potential available through cooperative efforts between business, government, and academia in the development and dissemination of key technologies and processes.

Background U.S. technology policy since World War II has relied primarily on federal funding of scientific research and development (R&D), with an emphasis on basic research; defense-related expenditures have tended to predominate (although recent years have seen increased technological breakthroughs by civilian markets). Today, nearly $160 billion a year is spent in this country on R&D, with federal funds accounting for between 45 and 60 percent of this amount. Little support has been provided by federal R&D programs for the adoption of key technologies by small and medium-sized U.S. businesses -- the prime engines of the national economy.

Countries around the world recognize the role technology plays in economic competitiveness. While America leads the world in research and basic science, other countries have had greater success in converting laboratory discoveries into new products. Many of America's global competitors benefit from cooperative business/government relationships in promoting new technologies and applications in areas such as materials, electronics, information technologies, and aerospace. Similar cooperation is needed in the United States between business, government, and academia to develop and disseminate key technologies and processes in a cost-effective and productive way.

Systematic collaborative research efforts between government laboratories and private businesses have only recently begun to take place in America. In the past, U.S. companies had been reluctant to mine the federal laboratories for government inventions. Conversely, government researchers had been more inclined to pursue pure scientific research in preference to what was seen as the less challenging problems of industry.

The country can do more to ensure that basic discoveries translate in a meaningful way into marketable products that raise U.S. GDP. This does not mean spending less on basic research -- basic research provides the underpinning for technological and commercial success. It does mean increasing cooperation between the U.S. government and U.S. industry, both in acknowledging national technology goals and in promoting appropriate programs geared toward current marketplace realities. It also means promoting more collaborative research and manufacturing efforts among companies and, specifically, changing antitrust laws that currently act as a disincentive for companies to enter into joint production ventures.

In 1984, the National Cooperative Research Act (NCRA) was enacted to facilitate cooperative R&D efforts by relaxing certain antitrust restrictions. Today these same restrictions remain applicable to the formation of joint production ventures; legislation to extend the NCRA to joint production ventures failed to pass the previous Congress.

The world is a different place than it was four years ago, much less forty. U.S. industries face a host of new challenges: the tremendous growth of international trade; the success of foreign firms in moving new high-technology products to market; rising costs of R&D and production efforts; and shortened time horizons for introducing new products and processes into world markets.

While a number of technology initiatives have been implemented during the past decade to encourage cooperative research efforts among companies and technology transfer from government laboratories to the private sector, additional efforts are required to meet today's global challenges.

Action Needed

Promote joint government, industry, and academic efforts to sustain and restore the United States' advantage in key technologies.

Technology Transfer: Boost efforts to transfer technology out of the national laboratories and into the private sector. Promote the revamping of federal laboratories to put more emphasis on working with industry. Promote manufacturing and technology extension services aimed at the nation's 355,000 small and medium-sized manufacturers.

Research and Development: Promote basic and cooperative research with agencies such as the National Aeronautics and Space Administration (NASA) and the Commerce Department's National Institute of Standards and Technology (NIST) in space and civilian technologies which will generate economic and environmental benefits.

Legal Reform: Secure amendments to the National Cooperative Research Act of 1984 to give production joint ventures the same treatment under the antitrust laws as that now accorded R&D joint ventures. Make the R&D tax credit permanent. Strengthen intellectual-property protection here and abroad. (See also "Put American Capital and Labor to Work" and "Establish Fair International Trade/Investment Rules")

Chamber Position

A key component of U.S. competitiveness is the ability of the nation to develop and disseminate critical technologies and processes. These efforts can benefit from greater collaboration between business, government, and academia, and from changes in current federal antitrust law to eliminate disincentives to joint production ventures.

The Other Side

The best way for the government to promote technological competitiveness is to unleash the powers of the private sector to identify and bring new products and services to market. Government promotion of particular technologies will lead to inefficient investment and poor market decisions. Legislation that alters existing

Outcomes

- Increased technological sophistication and commercial applications by U.S. industry.
- Improved American competitiveness in global markets.
- Greater government understanding of the obstacles faced by business, particularly small and medium-sized businesses, in bringing products to the marketplace.
- Increased cooperation and input from the best available minds in government, academia, and the private sector.
- Facilitation of joint production ventures by U.S. companies of all sizes.
- Increased private investment in basic and applied R&D.

For further information, please call Lisa Sockett at 202/463-5528.

RENEWING

AMERICAN ENTERPRISE

Establish An Entrepreneur-Friendly U.S. Market Environment

Excessive litigation, liability costs, paperwork, and regulation cost U.S. firms time and money, and erect obstacles to doing business that foreign companies do not encounter.

To help U.S. firms stay afloat, reforms are needed to ensure against unnecessary regulation. Product liability reform is essential to control rising litigation costs. Revisions to environmental regulations are needed to safeguard against the adoption of policies not based on "sound science." And paperwork reduction and a streamlining of federal contracting rules are needed if U.S. firms, especially small firms, are to stay competitive.

Product Liability and Civil Justice Reforms

Objective Secure enactment of federal product liability legislation, and reform civil litigation procedures in federal courts to control rising litigation costs, reduce excessive liability claims, and minimize the delays currently associated with the judicial system.

Problem The rising expenses of litigation and of protecting against liability have greatly, needlessly, and inappropriately burdened businesses, raising prices for consumers, hindering the development of products and services, and ultimately creating a competitive disadvantage for U.S. companies vis-a-vis their foreign counterparts.

Background A growing public sense of crisis in the civil justice system has developed during the past several years. As the nation has become more litigious, operation of the civil justice system has faltered while litigation and liability costs have skyrocketed. Federal district court filings have drastically increased; it now takes more than a year to resolve most lawsuits. As overburdened courts lurch along ever more slowly, increases in litigation expenses and insurance premiums for businesses show no sign of abating. Consequently, U.S. companies large and small face a competitive disadvantage in the world market, one certain to worsen steadily if the problems with the civil justice system are not resolved.

Under the current product liability system, each state has its own set of laws that determine a manufacturer's or product-seller's legal responsibility for injury caused by a defective product. The resulting patchwork of product liability laws has had a crippling effect on business in this country and on U.S. competitiveness abroad. America's product liability insurance costs are, on average, 20 times higher than in many European countries and 15 times higher than in Japan. Rising legal expenses, varying standards of liability, growing reliance on punitive damages, and "forum shopping" by plaintiffs' attorneys are symptomatic of the product liability crisis.

Without uniformity in the laws governing product liability, insurance carriers have difficulty making actuarial predictions. Thus, insurance rates are set higher than would otherwise be required to allow for the lack of certainty about product liability exposure. Innovation is stifled, fewer products are brought to market, and foreign firms gain a competitive advantage over U.S. companies because uniform product liability laws overseas, such as those being adopted by the European Economic Community, result in non-U.S. companies having lower overall costs.

In recent years, there have been a number of Legislative and Executive Branch proposals aimed at controlling legal costs, curbing unwarranted litigation, and expediting the civil justice system. Both houses of the previous Congress considered product liability legislation that would have created uniform federal rules for determining liability for product-related injuries; in 1992 a Senate bill, which had the bipartisan cosponsorship of 40 Senators and was reported out of the Senate Commerce Committee by a 13-7 vote, fell two votes shy of the two-thirds majority needed to overcome a filibuster.

With respect to civil justice reforms, the U.S. Judicial Conference, a rulemaking body of the Judicial Branch, has considered amendments to some of the rules governing civil litigation. However, this process is quite protracted and many other meaningful reforms need to be considered, such as tightening the rules regarding the use of expert evidence or adopting a "loser pays" or "English Rule" -- the loser pays legal fees for both sides.

Action Needed I. Secure Executive Branch and Judicial Branch reforms that serve to:

A. Improve the quality and reliability of expert evidence.

B. Limit the use and amount of punitive damages.

C. Shift the payment of litigation costs and penalize frivolous court filings and dilatory litigation tactics.

D. Promote alternative dispute resolution and encourage expedited settlements.

E. Comprehensively reform pretrial discovery rules to ensure that mandatory threshold disclosure is not required and that a party's disclosure of discovery information is made contingent upon all civil actions being legally and factually supportable.

F. Maintain the right of courts to issue protective orders and orders sealing case settlements.

G. Improve court administration through more active judicial management and reassignment of judicial resources, and restrict federal court jurisdiction.

II. Legislative Changes

A. Secure enactment of a federal uniform product liability law that includes:

1) Uniform statute of limitations and statute of repose for bringing claims.

2) Several liability for non-economic damages: Defendants would be liable for non-economic damages in proportion to their share of responsibility for the injury (rather than jointly liable).

3) Restricted liability for product sellers: A product seller (as opposed to a manufacturer) would be liable for its own lack of reasonable care but not for harms caused by a manufacturer's errors.

4) Restrictions on punitive damages: Heighten standard of proof necessary for imposition of punitive damages and allow defendants to request a separate proceeding (apart from the issues of liability and compensatory damages) for jury to consider punitives. Pre-market FDA approval or FAA certification would block liability for punitive damages.

5) Incentives to encourage expedited settlements and alternative dispute resolution.

6) Drug and alcohol defenses: When a plaintiff's use of illegal drugs or alcohol is the primary cause of the injury, recovery of damages would be disallowed.

B. Secure enactment of legislation amending civil litigation procedures in federal courts, including:

1) An opportunity for parties to elect alternative dispute resolution.

2) The "loser pays" rule, with certain limitations.

3) A requirement that claimants give pre-litigation notice of an intention to file a claim.

Product Liability

Chamber Position: A national law is needed that creates uniform rules governing product liability litigation and redefining the responsibilities of parties that manufacture, sell, and use products. Product liability reform must strike a balance between the rights and duties of individuals and the financial and competitive constraints that confront manufacturers and product sellers. The present system (a multitude of state-based product liability laws) has led to inefficiencies, unpredictability, and needless burdens on interstate commerce. A federal product liability law would reduce litigation and liability costs for businesses and consequently the competitive disadvantage faced by U.S. firms whose costs are considerably greater than their overseas counterparts.

The Other Side: A federal product liability law would adversely affect consumers as plaintiffs by unfairly limiting them from making their case and by creating rules which insulate defendants from the consequences of their conduct. State laws, which traditionally have guided product liability, should not be preempted by federal law.

Civil Justice Reforms

Chamber Position: Such reforms are needed to reduce the expenses and procedural delays that characterize the current civil litigation system. Alternative methods of resolving disputes will shift more expense to parties that are unsuccessful in civil actions; impose reasonable limitations on punitive damages; and tighten the rules of discovery, case administration, and those governing expert evidence, thus reducing the cost and time involved in prosecuting or defending lawsuits.

The Other Side: Some proposed reforms would create a greater financial risk for those who unsuccessfully prosecute a civil suit; a "loser pays" rule would place an unfair financial burden on a plaintiff who may have had a meritorious claim but was simply unsuccessful before the jury. Limitations on punitive damages, or tighter restrictions on the rules governing expert evidence, are reforms that benefit only the business community, will result in smaller judgments, and will make judgments more difficult to obtain. There are very few undeserved punitive damages awards, and there are always appeals courts to address such awards.

Outcomes

· Reduced litigation costs.
· A more efficient civil justice system.
· Civil damages awards that more accurately reflect responsibility for the harm or the degree of harm caused by a particular party.
· With reduced business costs, improvement of U.S. companies' global competitiveness.
· Increased product innovation and selection.

For further information, please call Tyler Wilson at 202/463-5513.

Paperwork Reduction

Objective Secure enactment of a Paperwork Reduction Act that will reduce costly, burdensome federal paperwork and reporting requirements.

Problem Federal paperwork requirements emerged incrementally over a period of decades, with too little coordination and too little concern for minimizing costs to the private sector. Thus much federal paperwork, and the costs associated therewith, is excessive, unnecessary, and often duplicative; it serves no useful purpose and places huge and needless burdens on businesses and individuals.

Background Federal paperwork costs the nation $325 billion annually. These reporting and recordkeeping requirements emanate from virtually every federal agency. According to the Office of Management and Budget (OMB), since 1989 cumulative paperwork and regulatory requirements have increased 17 percent. Increasingly, regulatory and paperwork costs -- the "hidden taxes" of federal programs -- pose a significant barrier to preserving and creating jobs. According to an Investor Daily article, "Something seemingly insignificant as new government paperwork requirements can put a small company out of business."

Federal paperwork imposes burdens on every sector of the economy. For example, according to government statistics, small businesses spend 1.2 billion hours just filling out their tax forms annually -- costing them $60 billion in 1992. According to the President's Council of Economic Advisors, implementing the Clean Air Act is expected to cost more than $25 billion in regulatory and paperwork costs. Much of this cost derives from activities beyond those required to meet the goals of the Act. Enactment of a Paperwork Reduction Act would be a major step toward controlling such burdens.

The Paperwork Reduction Act of 1980 (PRA) created within the OMB the Office of Information and Regulatory Affairs (OIRA). OIRA reviews federal agencies' regulations and proposed paperwork requests to determine if costs outweigh benefits. While conservative estimates indicate the PRA has saved the economy $6 billion annually, the U.S. Chamber believes this is far below its potential benefit. A stronger OIRA with authority to enforce clear paperwork-reduction goals would enable the PRA to fulfill its intended purpose.

In early 1990, a Supreme Court decision (Dole vs. Steelworkers) ruled that the PRA gave OMB authority to control the paperwork burden resulting only from regulations requiring businesses or individuals to disclose information to the federal government; regulations requiring disclosure to third parties (including any arm of state or local governments) were off-limits. This decision eliminated approximately one-third of OMB's paperwork jurisdiction, and that proportion is increasing as federal agencies seek to avoid OIRA oversight.

Legislation reversing the Supreme Court decision, reauthorizing the PRA for five years, and seeking a paperwork reduction goal of five percent annually was introduced in the previous Congress, as was legislation undercutting OMB'S paperwork oversight role.

Action Needed Secure enactment of legislation that will 1) establish a government-wide goal of reducing paperwork by at least five percent per year; 2) reverse the Dole vs. Steelworkers Supreme Court decision; 3) increase the responsibility and accountability of federal agencies to manage paperwork requirements effectively (i.e., with an eye toward obtaining only that information an agency needs, and with as little burden as possible); 4) provide the public with additional opportunity to comment on and thereby influence proposed paperwork requirements; 5) require Congress to assess the paperwork implications of all future legislation; and 6) provide sufficient funding to support OIRA. (See also "Federal Contracting")

OIRA Reauthorization

Chamber Position: The OIRA is the only "traffic cop" for burdensome regulations and paperwork. Legislation reauthorizing a strong OIRA should be enacted.

The Other Side: A strengthened OIRA would slow implementation of regulations. Previous administrations have abused OIRA by using its authority to ideological ends.

Reversing Dole vs. Steelworkers

Chamber Position: Until the 1990 Supreme Court Decision, OIRA had been saving the economy $6 billion annually. At a minimum, that savings is now at risk. To avoid OIRA oversight, agencies will simply rewrite their regulations to involve third parties in the information-collection process.

The Other Side: The 1990 Supreme Court decision limiting OIRA's review authority was a step forward. OIRA should not be able to second-guess agency regulations by declaring certain paperwork requirements to be unnecessary.

Outcomes

- Reversal of Dole vs. Steelworkers will add approximately one-third of all federally required paperwork to coverage under the PRA.
- Increased federal-agency responsibility to assess the real burdens imposed on business, including both reporting and recordkeeping time.
- Requirement that federal agencies cut paperwork burdens by a net five percent per year, resulting in fewer requirements on business. This could save business billions of dollars annually.
- Greater opportunity for business to comment upon and influence proposed paperwork burdens.

For further information, please call Nancy Fulco or Lorraine Lavet at 202/463-5528.

Occupational Safety and Health Act

Objective Secure enactment of legislation to further improve health and safety in the workplace while ensuring a balanced regulatory approach that protects the legitimate interests of employers and employees.

Problem There is a general public perception that, despite 22 years of standard-setting and enforcement by the Occupational Safety and Health Administration (OSHA), on-the-job protection of employees' health and safety can still be improved. However, recent legislative proposals to address this problem would place extensive new burdens on employers, and represent an inappropriate approach to further improvement of workplace safety and health.

Background In the 1970s, OSHA was widely regarded as overzealous and unaware of the practical applications of its rulemaking; administrative reforms adopted during the 1980s allowed for greater flexibility and a more cooperative relationship between OSHA and employers. Although workplace injury and death rates are declining, many remain disappointed with OSHA's ability to control workplace fatality, injury, and lost-time rates.

OSHA fines were increased sevenfold in 1990 through the Omnibus Budget Reconciliation Act. In 1991 some proponents of OSHA reform introduced a major bill that would have, among other things, required all employers to develop comprehensive health and safety plans and provide related training to employees; required employers with ten or more employees to establish joint employee-management safety and health committees with evenly divided membership, with broad investigative authority, and with full pay for time spent on committee business (committee recommendations would be advisory, but could be used as evidence that management was willfully refraining from abating a perceived workplace hazard); significantly increased criminal penalties and expanded the categories of "criminal" behavior; prohibited a company from paying the fines of a manager or supervisor charged with a criminal violation; mandated a tight timetable for OSHA issuance of many specific regulations (including standards covering ergonomics for all workers); and established a commission to study the federalization of the workers' compensation system.

Action Needed Support constructive and appropriate changes to the Occupational Safety and Health Act to further improve employee safety in the workplace and protect employers' legitimate business interests. Prevent enactment of proposed reforms that would damage those interests.

Criminal Penalties and Fines

Chamber Position: Creating new crimes and significantly increasing criminal penalties would only make OSHA inspections and compliance proceedings more adversarial and expensive. Employers would hesitate to cooperate with OSHA for fear of providing self-incriminating evidence. The Occupational Safety and Health (OSH) Act was intended to be, is now, and should remain a civil statute. Further criminalization would substantially hinder the objective of assuring workplace safety.

The Other Side: Irresponsible employer behavior has resulted in an alarming number of deaths and serious injuries. Current OSHA penalties are not tough enough to be a sufficient deterrent. The OSH Act itself has not been amended in more than 20 years and the continuing high rate of serious injuries and deaths requires a different and stronger approach.

Mandated Joint Safety and Health Committees

Chamber Position: Employee involvement in employer safety and health committees can be mandated

The Other Side: Full participation by unions (or, in non-union shops, elected employee representatives) by law, but constructive outcomes cannot. Instead, such mandates would encourage adversarial behavior, creating conflict and reducing cooperation. Voluntary involvement in a health and safety program encouraged by OSHA will foster cooperative and effective efforts to further improve workplace safety. It is unnecessary to mandate union involvement in employee safety and health because unions already have an absolute right (and a corresponding duty) to promote safe and healthful working conditions, and employees already have the right to go directly to OSHA with alleged violations.

in all workplace safety matters is essential to effective compliance and is a basic right. OSHA inspectors should be accompanied by knowledgeable employees or employee representatives so employers are less willing or able to divert the inspectors' attention from less-obvious hazards and violations. Employee participation in penalty discussions will ensure that assessed penalties are fair and effective. The OSH Act was designed to protect employees and they should be actively involved in OSHA proceedings.

Small Employer Exemptions

Chamber Position: Small employers cannot be burdened with additional costly inspections and recordkeeping tasks. Most small employers are not engaged in relatively hazardous operations. Therefore, routine inspections by OSHA personnel seeking to raise government revenues through OSHA fines (as was the stated purpose of 1990's large increase in fines) only serve to harass these employers and cause them great expense. OSHA inspections should focus on prevention and abatement of hazards. OSHA recordkeeping requirements frequently are unjustifiably burdensome and, in the absence of specialized occupational health and safety consultants, devour inordinate amounts of management and employee time.

The Other Side: The OSH Act was intended to protect all employees regardless of the size of their employer. Small enterprises are subject to the same careless and dangerous management that can be found in larger enterprises. Small employers ought to have the same responsibility as large employers to safeguard employee health. Small operations are more readily reviewed for OSHA compliance, and changes to achieve compliance are cheaper and easier. Many small employers are engaged in construction, one of the most hazardous industries. All employers who condone or contribute to unsafe conditions or practices should face stiff penalties in order to deter and punish such conduct.

Substance Abuse

Chamber Position: Employers should be encouraged to adopt comprehensive substance abuse policies that educate and train employees about the dangers of substance abuse, provide counseling and rehabilitation to former abusers, and require that all applicants and employees be tested, as appropriate. The evidence is overwhelming that employers that have adopted comprehensive substance abuse policies have dramatically reduced rates of absenteeism and workplace injuries, thus permitting higher productivity and lower workers' compensation costs.

The Other Side: Employers have no legitimate interest in what substances employees use on their own time. Testing is an unwarranted invasion of privacy. Substance abuse tests are unreliable, and erroneous results can destroy a person's career and livelihood. Employers have a moral and legal obligation to not deny employment to those disabled by addictions.

Outcomes

- Greater workplace safety.
- Prevention of further needless burdens on employers.
- Reduced inspection burdens on smaller employers.
- Reduced injuries and workers' compensation expenses.

For further information, please call Peter Eide at 202/463-5517.

Environmental Quality:
Solid Waste, Water Quality, Global Climate Change

Objective Secure enactment of revisions to the Resource Conservation and Recovery Act that will provide for environmentally sound, market-driven solutions to municipal and industrial solid waste recycling and disposal problems.

Ensure that water quality standards that set limits on discharges are based on sound science; bear a direct relationship to the protection of human life, aquatic life, and wildlife associated with a body of water; do not infringe on state and local authority to set water quality standards; and result in sound solutions to water quality improvement.

Ensure that sound science, risk prioritization, and economic- and social-cost analyses are used in formulating and implementing the National Action Plan pursuant to the Rio de Janeiro "Earth Summit" global climate treaty. Seek assurances that any new commitments to the treaty will be multilateral, not unilateral.

Problem **Solid Waste:** The Resource Conservation and Recovery Act (RCRA) is a serious problem for the business community. First, certain industrial wastes are over-regulated, particularly those materials for recycling that would be hazardous wastes if destined for disposal. If industrial recycling is regulated as waste treatment, the cost will increase to the point where recycling will not occur. More virgin materials will have to be used and resources will be lost. Second, product development and production are hampered by varying state labeling requirements, packaging restrictions, local materials bans, and/or mandated content requirements. Absent uniform national guidelines, proliferation of such laws will destroy national marketing. Third, legislation has not been enacted to implement the Basel Convention on control of international movement of hazardous waste, placing in jeopardy the almost $5 billion positive balance of trade the United States enjoys in secondary materials destined for recycling. Implementing legislation is necessary in order for the United States to participate in the implementation of the Convention.

Water Quality: Because of improved measurements (such as the ability to detect parts-per-billion of contaminants in water which, for all normal uses, is perfectly clean) there is a misperception that water quality is deteriorating. "End of pipe" sources have historically been the focus of regulation. Yet the more complex problems, and those which account for most water-quality problems still remaining, come from "non-point" sources -- pollutants lingering in sediments, runoff of fertilizers and pesticides from farmlands, and accumulation in fish tissue. These still need to be addressed.

Some members of Congress are promoting additional costly controls on already-regulated sources, bans on the use and production of selected chemicals, and government intrusion into plant operations -- despite the fact that about 70 percent of the nation's rivers and lakes meet strict water quality standards. In addition, regulations under the different statutory authorities are not coordinated, creating conflict and duplication.

Global Climate Change: The science of global climate change is still quite uncertain. Inappropriate implementation and enforcement of the Rio treaty could 1) create the greatest single existing burden to U.S. business' efforts to compete internationally, and/or 2) miss an opportunity for broad U.S. trade expansion through environmental technology transfer.

Background **Solid Waste:** Many towns are running out of politically acceptable places to put their solid waste. Shipping it elsewhere carries high political and economic costs. Disposal bans and higher fees, offered as solutions, are generally applied to businesses first. Although public policy is moving toward recycling and other alternatives to disposal, adequate disposal capacity is still needed. And, while some areas are experiencing genuine difficulty, the perceived solid-waste crisis, which has triggered numerous legislative efforts at the federal level, derives largely from anecdotal, local experiences, not to the true overall national situation. Congress has reacted by proposing federal controls on municipal solid waste management such as mandatory recycling or minimum content of recycled materials, product bans, packaging fees, and degradability criteria to solve the waste disposal shortfall. Local conditions vary so greatly that a uniform national approach to solid waste management is inefficient.

Industrial solid-waste recycling recovers about 100 million tons of materials annually that would otherwise be disposed of as waste. Of this, approximately 20 percent is exported, with a large net contribution to the U.S. balance of payments. Recycling is preferable to waste disposal, but this is not recognized under RCRA because the law does not address recycling as a separate industrial activity. Rather, RCRA regulates recycling under rules designed for the treatment and disposal of hazardous wastes. Many hazardous waste regulations need to be revised to reflect current technology and understanding. These efforts may conflict with less-sophisticated legislative proposals.

Water Quality: Many of the new water quality requirements under the 1987 amendments to the Clean Water Act have just begun to take effect, while others are still being drafted. Business has achieved meaningful water quality improvement and discharge elimination through flexibility in selecting materials and technologies. Much of this progress will be overlooked if business accomplishments are not publicized or business cannot provide constructive proposals on how to deal with the remaining problems.

While the technical aspects of water legislation may be daunting, many legislators new to the current Congress have backgrounds in state government and experience with similar issues. Congress likely will, at a minimum, begin to address reauthorization of the Clean Water Act. Funding for infrastructure (such as treatment plants and sewer lines) will be an issue. The perception that minute traces of contaminants equals pollution, and the desire to raise water quality levels above the intended uses (e.g., not all streams need to be drinking-water quality) leads to proposals for more controls on industry and even to legislated restrictions on production processes.

Global Climate Change: The United States was one of the first countries to ratify the Rio treaty. Fifty countries must ratify before it is implemented. Just how the nation will comply with the treaty is being spelled out in a National Action Plan formulated by Congress and the Executive Branch.

If in connection with the Rio treaty the United States, independent of the actions of other nations, adopts (for example) a carbon tax, U.S. international competitiveness would be damaged. (Past proposals to decrease the emission of potentially global-warming gases have included emission taxes, restrictions on energy use or production, and a host of methods of limiting growth and raising tax revenues.)

The science of climate change is still evolving. The use of complex and admittedly incomplete computer models for climate-change predictions requires continued research.

Global climate change is as much an economic-growth issue as an environment issue. Business can use it as an opportunity to expand U.S. markets abroad while protecting intellectual property rights.

Action Needed

Solid Waste: Secure enactment of a reauthorized RCRA that does not dictate manufacturing practices or product composition; provides uniform federal guidelines for environmental labeling and packaging; recognizes industrial recycling as a manufacturing activity, not as waste treatment; preserves international trade in materials destined for recycling through enactment of legislation to implement the Basel Convention, ratified by the Senate in 1992; and addresses the problems of managing non-hazardous industrial waste. (See also "Food System Regulatory Reform")

Water Quality: Ensure permit fees reflect administrative costs and are not used solely to generate revenue. Secure the coordination of regulatory requirements between the Clean Water Act and other laws (such as RCRA). Develop/promote incentives for firms, farmers, and families to develop ways to reduce and prevent polluted runoff. Prevent enactment of mandatory pollution prevention practices, allowing industry to innovate with respect to plant design and operation.

Global Climate Change: Discourage premature climate controls, such as targets and timetables for limiting greenhouse gas emissions, while encouraging market incentives for voluntary reductions. Seek expansion of U.S. trade by encouraging partnerships and joint ventures with developing countries, and by supporting increased commercial bank participation in such projects. As the National Action Plan on the Rio treaty is drafted and implemented, work for balanced economic development, environmental protection, and international trade, including tied-aid programs to developing countries such as "debt for nature" swaps (i.e., agreeing to reduce a portion of a nation's debt if it will take specific environmental-protection measures).

Solid Waste: Manufacturing Practices and Product Composition

Chamber Position: The amount of packaging disposed of has been levelling off since about 1975. Package weights have been declining through new technology and cost-reduction. The government should not try to design products. Localized shortages of disposal capacity, and reluctance to implement waste-to-energy and some recycling plants, are due to local resistance; the public must learn more about the safety and risks of such facilities. States have the primary responsibility for nonhazardous solid-waste management, with technical assistance and guidance from the federal government.

The Other Side: Controls are needed to slow the proliferation of consumer discards. Environmentally harmful products should be banned. The market must be changed artificially to reduce waste and increase recycling. A federal command-and-control system is needed to solve the problem. This could be accomplished by mandating recycling; setting the amounts of recycled products to be used in manufacture; restricting the composition and design of products; or by imposing bans, taxes, or deposits. Incineration of municipal solid waste (even with energy recovery) is a last resort, if it is to be allowed at all.

Solid Waste: Industrial Recycling

Chamber Position: Industrial recycling is a manufacturing process and far preferable to disposal. The recycling of hazardous reclaimable materials should be regulated apart from waste treatment, but in a way that maintains public confidence. As for any other industrial process, residues from manufacturing (including hazardous-materials recycling) should be treated as hazardous only if they display such traits.

The Other Side: Industrial recycling is waste treatment and should be subject to all of the same regulatory programs. This is the only way to protect the environment. Any residues from the recycling of hazardous materials should be treated as hazardous.

Solid Waste: Basel Convention Implementation

Chamber Position: Implementing legislation for the Convention should establish reasonable restrictions on export of materials for disposal or recycling. The export of waste for disposal, or of materials for recycling, should only be to nations that practice environmentally sound management. Materials destined for recycling should be managed according to whether they are benign or hazardous. Controls should not interfere with normal trade.

The Other Side: Some believe: Whether for disposal or recycling, no waste should be exported to any other country. Others believe: Such exports should be allowed, but only to countries that have environmental controls as strict as those in U.S. law. The facilities should be inspected by U.S. representatives. There should be no separate regulatory system for recycling.

Water Quality

Chamber Position: More than 75 percent of the nation's lakes, rivers and streams meet strict water quality standards based on their intended use. Further cleanup must be tied to intended use.

It is wrong to ask industry to return used water to standards cleaner than when it came into the facility.

Business supports "polluter pays" and encourages enforcement of well-defined, existing regulations. Large fines should not be imposed for administrative or clerical errors.

Industry innovations, voluntary efforts, and market-based incentives are more effective ways to attain environmental protection than is legislative prescription.

Just because it's easier to regulate "end-of-pipe" sources,

The Other Side: The goals of the Clean Water Act are 100 percent of all lakes, rivers, and streams meeting zero-pollutant water-quality criteria. Even a little pollution is too much pollution.

Business will not voluntarily meet water-quality standards. Fines and criminal punishment are needed.

Substances resulting in adverse health or environmental effects must be banned.

The Environmental Protection Agency must set and enforce more stringent standards.

non-point sources, which are the bulk of the remaining problem, must not be ignored.

Global Climate Change

Chamber Position: The United States already leads the world in funding for pollution abatement and control, research and development on greenhouse gas emissions, and setting a national action plan for greenhouse gas reductions. (The national action plan is also likely to contain concrete statutory requirements for action; other nations' plans to date offer only paper commitments and goals.) This despite the fact that genuine and significant scientific disputes remain as to the existence, causes, and potential consequences of global climate change.

Sound science must be the foundation for any proposed adaptive or mitigation action. Too-rapid response measures may be worse than no responses at all. The business community must be prepared to promote the voluntary emissions inventory established under the Rio treaty.

The Other Side: We must act now. The science is conclusive enough. Waiting for more research is reckless and diminishes our chances of escaping the tragic consequences.

The United States is the world's largest producer of greenhouse gases. We can, and must, do more to set an example for the world to follow. Enough is known that emissions reductions should be mandatory and immediate.

Outcomes

Solid Waste:

(Outcomes of uniform federal guidelines for environmental labeling):

· Standardization for advertising claims; a national market; reduced costs; elimination of the need for enactment of bans on products.

(Outcome of the recognition of industrial recycling as an industrial process):

· Promotion of the processing and returning of secondary materials to commerce.

(Outcome of Basel Convention implementation legislation):

· Preservation of the positive U.S. balance of trade in secondary materials destined for recycling.

Water Quality:

· Sound science and economic considerations as the bases for discharge limits and cleanup priorities.

· Equitable regulations, where needed, for all sources.

· Recognition, within state and local water-quality standard determinations, of the need for economic growth.

· Limitation of permit-application costs, monitoring requirements, and paperwork burdens.

· No further materials bans.

Global Climate Change:

· Recognition of current commitments made by business.

· Prevention of ill-advised legislation that would needlessly hamper economic growth.

· A level playing field to encourage expansion of global markets, especially for environmental technology.

· Actions that incorporate scientifically sound policies to balance environmental protection and economic growth.

For further information, please call Harvey Alter or Mary Bernhard at 202/463-5533.

Superfund

Objective Secure enactment of revisions to Superfund legislation which will produce a more efficient funding mechanism and improve the site-assessment and remedy-selection processes, leading to speedier cleanups and lower transaction costs.

Problem The Superfund program is not working. The major source of funding involves collection from "potentially responsible parties," which often means protracted lawsuits against a large number of businesses and other organizations in search of payment for cleanup. The accompanying and lengthy site-assessment and cleanup determinations are heavy burdens to businesses, especially small businesses, because they often incur huge legal bills. The protracted nature of the process has limited the number of site cleanups.

During related legislative deliberations attempts will be made to expand the Toxics Release Inventory (TRI) reporting requirements of Superfund, tax permitted emissions, and mandate reduction or elimination of the uses of chemicals arbitrarily -- in the absence of demonstrated risk to public health or the environment.

Background In 1980 Congress enacted, and in 1986 amended, the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) -- commonly known as Superfund -- to clean up abandoned hazardous waste sites. It called for a federal fund, financed by a tax on petroleum and 42 listed chemicals, to clean up the sites. It also allowed the federal government to go after the potentially responsible parties (PRPs) that may have contributed to the situation. In the years since, relatively few of the nearly 1200 sites on the National Priority List (NPL) have been pronounced clean -- at a cost of nearly $15 billion. This figure does *not* include legal fees and other transaction costs incurred by PRPs.

Because of CERCLA's cumbersome and expensive procedures dictating allocation of responsibility and cleanup of hazardous waste sites, it is often years before work is begun. The process invites lengthy legal battles over cost allocations. The Environmental Protection Agency expects to add 100 sites a year through the year 2000 to the NPL. Currently the average site is taking six to eight years from the time it is first investigated until cleanup is completed, at an average cost of $26 million per site. If this trend continues, the nation will spend between $10 billion and $20 billion per year in hazardous waste cleanup (in non-federal facilities alone) by 2000. This will represent 10 to 20 percent of all pollution-control expenditures in the United States, without a significant increase in the number of sites cleaned up or in protection of public health.

A provision of the 1986 CERCLA amendments implemented a toxics release inventory program requiring companies in the manufacturing sector to report annually on the volume and release of 320 toxic chemicals. Proposals have been introduced in Congress to expand this provision to thousands of additional industrial facilities and hundreds of additional chemicals, and would include federally mandated reduction or elimination of the uses of chemicals without consideration of scientifically-based risk to public health and the environment.

Action Needed Develop proposals and secure enactment of Superfund program revisions that 1) allow for equitable sharing of site cleanup responsibility, 2) improve the remedy-selection processes, leading to speedier cleanups and lower transaction costs, and 3) do not impose additional reporting and chemical-use requirements on business unless such requirements are founded on scientifically based risk to public health and the environment.

Superfund: Programmatic

Chamber Position: Improve the administrative and cost-recovery processes to clean up abandoned hazardous waste sites with lower transaction costs.

The Other Side: All that is needed to make the program more effective is greater enforcement, which will produce additional cleanup actions.

Superfund: Toxics Release Inventory Expansion (TRI)/ Toxics Use Reduction (TUR)

Chamber Position: Chemical use does not equate to chemical exposure. Mandated TUR is not necessary.

The Other Side: The way to prevent pollution is to eliminate the use of toxic chemicals.

Outcomes

Solution of the Superfund cleanup dilemma:

- Lower the costs for Potentially Responsible Parties.
- Reduced average cost of a site cleanup.
- Reduced average time for resolution of a site.

For further information, please call Mary Bernhard at 202/463-5533.

Sustainable Use of the Nation's Natural Resources

Objective Secure greater access to public and private lands for natural resource development in an environmentally responsible manner, balancing important ecological values such as endangered species and wetlands protection.

Problem Businesses are losing access to public and private lands for economic and natural resource development. Policymakers are giving in to demands to set aside vast areas of land to preserve wetlands, endangered and threatened species, old-growth forests, and other environmental values to the point where balances between economic growth and ecological preservation have been lost. The future of many rural communities, dependent upon the economic development of public and private lands, is in jeopardy as more and more land is permanently set aside. Finally, private landowners are increasingly sustaining the loss of economic values from their land without compensation as a result of wetlands, species habitat, and other regulations.

Background The U.S. government owns 740 million acres -- one-third of the land in the United States. For most of U.S. history, people had access to this vast resource for many purposes: recreation, natural resource use, and commercial development. More recently, the historic "multiple-use, sustained-yield" principles of federal land management have given way to demands to permanently lock these lands up from use. The public is being forced off its own lands by 1)wilderness and other restricted-use designations; 2) increases in timbering, mining, and grazing fees; and 3) regulatory activities such as permitting requirements and impact studies.

More than half of federal lands (400 million acres) are off-limits to development. Vast amounts of oil and natural gas lie beneath Alaska's coastal plain and the Outer Continental Shelf (OCS). Congress refuses to open up the coastal plain to development, and has placed increasing amounts of the OCS under moratoria. Increasing amounts of timber are being placed off-limits in old-growth forests. Production of coal, minerals, and oil and gas in the western United States is decreasing because less than one-half of onshore federal lands are available for leasing, and environmental planning requirements are proliferating.

Federal, state, and local governments are depriving individuals of the full use of private property because of wetlands, endangered species, and other environmental considerations. President Bush's "no net loss of wetlands" campaign pledge in 1988 elevated the preservation of wetlands as an environmental priority. The costs of wetlands mitigation and compensation is prohibitively expensive for many individuals who are essentially being deprived of the right to develop their property. Likewise, the Endangered Species Act, which faces reauthorization in 1993, prohibits development of many public and private lands, and significantly increases the cost of commercial activity on land which is found to be a species habitat.

Action Needed Educate policymakers and the public about the benefits of energy development on the coastal plain and OCS, and defeat additional moratoria on the OCS. Educate policymakers and the public about the benefits of multiple-use, sustained-yield management of public lands. Secure enactment of an aquatic-based definition of wetlands that differentiates between ecologically important wetlands and lands of less ecologic value. Secure reform of the Endangered Species Act to add needed balance between economic development and species preservation. Secure reform of the General Mining Law of 1872 (since revised several times) so as to ensure environmentally responsible access to mineral deposits on public lands. Develop and promote criteria for future wilderness designations that balance ecological and economic values.

Endangered Species

Chamber Position: Under the Endangered Species Act: 1) economic factors may not be considered when determining the listing status of a species, and 2) the Act protects every endangered and threatened subspecies in every locality where it exists, even in those instances and localities where they are not in fact endangered. The Act must be reformed to ensure that, while it adequately protects truly endangered and threatened species, it does not disrupt the economic stability of businesses and communities across the nation.

The Other Side: Every creature has an intrinsic right to exist. Biodiversity must be preserved. Mankind should not contribute in any way to the extinction of any species. Each living thing contains a unique reservoir of genetic material that has evolved over aeons, and cannot be retrieved or duplicated if lost. No matter how small or obscure a species, it could one day be of direct aid to all of us. Mankind is the ultimate loser as species become extinct.

Arctic National Wildlife Refuge

Chamber Position: The Alaskan coastal plain of ANWR is the most promising onshore site for domestic energy development. It could supply the nation with a million barrels of oil daily for 20 years. More than 20 years' experience on Alaska's North Slope provides overwhelming evidence that oil/gas development poses little threat to the area's ecology.

The Other Side: The amount of oil beneath the coastal plain of Alaska is not enough to warrant destruction of this wilderness area. Oil development on the North Slope has harmed the wildlife there and caused serious pollution problems. The entire area should be placed off-limits to all development.

Outer Continental Shelf

Chamber Position: Companies must obtain 17 major permits and comply with 90 sets of federal regulations to operate on the OCS. In the past 18 years, less than 0.001 percent of the oil produced on the OCS has been spilled. Offshore drilling and transportation of materials to shore via pipeline can be done in an environmentally sound manner.

The Other Side: Offshore energy development poses unacceptable environmental risks, such as oil spills. The OCS is a spawning ground for hundreds of species of aquatic life and plays a vital role in ocean ecology. No further energy development should be permitted, and leases now in effect should be bought back by the federal government.

Wetlands

Chamber Position: The inflexibility of the "no net loss of wetlands" goal is skewing the balance between wetlands protection and multiple-use values. Nearly all business activities are affected, including commercial, residential, and infrastructure development. Wetlands mitigation and compensation requirements cost businesses significant time and money and deprive individuals of the economic use of their property. Areas which exhibit few wetland traits are being designated as wetland. To ensure that only wetlands with significant ecological values are preserved, policies must be flexible.

The Other Side: The nation's wetlands must be preserved. They are vital for purifying ground water, the source of one-half of U.S. drinking water. Wetlands also control flooding and soil erosion, and are an important habitat for fish and other wildlife. The current regulatory program for wetlands must be maintained. There is ample flexibility in current policy to distinguish between wetlands of minimal and significant value.

General Mining Law of 1872

Chamber Position: Mining of hardrock minerals on public lands is in the national interest. All mining activities are subject to environmental requirements, including federal, state, and local laws. The current system for mining operations (self-initiation and security of tenure) ensures access for and security during exploration, and the right to mine until an ore body is depleted. Misguided "reforms" of the Mining Law can threaten thousands of jobs, reduce revenues in the Western states by billions of dollars, and drastically reduce federal tax revenues.

The Other Side: The Mining Law needs major reform. The nominal amounts paid to maintain a claim and to obtain a patent amount to a giveaway of publicly owned resources. Claimants frequently hold claims indefinitely without mineral production or for non-mineral purposes. The current system encourages needless land disturbance and does not provide adequate protection of the environment.

Wilderness Designations

Chamber Position: A wilderness-preservation system is important to the nation. Yet, in recognition of increasing mineral and energy demand, and advancements in mining and exploration technology, government must not prohibit natural-resource development in wilderness areas. Withdrawal of public lands and preservation of natural resources can coexist in balance with multiple use. Without a compelling national interest overriding the need for stable, secure supplies of resources, areas should remain open to extract resources in an environmentally responsible manner.

The Other Side: Wilderness, and those areas eligible to be designated wilderness, hold little of the nation's timber, oil, gas, and mineral reserves. Preservation of the country's relatively few remaining wild places returns recreational, scientific, and wildlife protection benefits that far outweigh any perceived economic loss.

Outcomes

Access to public and private lands for economic and natural resource development will:

- ensure the availability of stable, secure, competitively priced energy supplies.
- strengthen national security (reduce reliance on energy supplies from unstable areas).
- ensure availability of low-sulfur coal and a variety of other minerals to meet growing demand.
- lower business costs for both large and small companies across the nation.
- stimulate economic growth in communities dependent on public-land development.

For further information, please call Stu Hardy at 202/463-5533.

Food System Regulatory Reform

Objective Achieve national uniformity in the regulation of food production, distribution, and marketing by securing enactment of legislation and promulgation of regulations that 1) harmonize and modernize health standards and inspection methods; 2) establish consistent, nationwide packaging, labeling, and marketing regulations; and 3) preempt states and subdivisions of states where uniform standards are essential. (See also "Solid Waste" under the "Environmental Quality" issue.)

Problem The existing federal food regulatory system is a patchwork quilt of often conflicting standards and surveillance techniques, crippled by inconsistencies, outmoded inspection tools, and misallocated resources. There is a growing public perception of system breakdown. Consequently, when a food contamination problem arises, even a highly isolated one, agencies lack the credibility to assure the public they are on top of the problem, and sales suffer needlessly.

Background Polling data suggest that the collapse of public confidence in the regulatory agencies is causing an erosion of consumer confidence in the health and wholesomeness of the food supply. A steady procession of bureaucratically bungled food scares during the past decade (e.g., Alar in apples, EDB in cereal, dioxin in milk, salmonella on chicken) have generated strong and growing public and congressional interest in "fixing" the system. Weaknesses and inconsistencies in the system abound, among them a virtual lack of agency surveillance in some food sectors (such as seafood), conflicting methods of cancer risk assessment/management, and contradictory standards for chemical residues in foods.

At the same time, a chorus of influential voices -- including the National Academy of Sciences, the General Accounting Office, the Congressional Research Service, the Office of Technology Assessment, the Institute of Food Technologists, and others -- has identified dozens of shortcomings in the current regulatory system and called for major structural changes.

There is widespread bipartisan consensus that big changes are needed. However, during the previous Congress, congressional turf battles and bickering with the White House over relatively unimportant differences in approach stalled major legislative initiatives to amend the Delaney Clause, reauthorize and improve the pesticide program, and provide for seafood inspection.

The food industry embraces these legislative goals, but the devil is in the details and much depends on the willingness of Congress and the Clinton Administration to base reform on the best available science, rather than on public emotion and fear.

Finally, there is a strong international-trade dimension to this issue. The North American Free Trade Agreement (NAFTA) and the GATT Uruguay Round talks both involve food sanitary harmonization procedures and call for an expanded role for the Codex Alimentarius Commission (the international standard-setting body for food safety). At the same time, the European Community single-market process will drive changes in the United States. For example, the EC Council of Ministers may require all food processing companies doing business in the EC to adopt the modern and efficient HACCP methods of safety assurance. (Hazard Analysis/Critical Control Point principles, applicable to every link in the food production, processing, and distribution chain, focus on the process rather than the product and seek to control potential hazards at critical points on the farm, in the plant, in the market, and elsewhere.)

The food industry's biggest challenge is to assure consumers that the food supply is safe and nutritious. This task requires better, not less, regulation of sanitary standards, chemical residues, labeling, and packaging. Absent such change, public confidence in the food supply will continue to erode.

Action Needed

Secure enactment of legislation to 1) harmonize the way the Environmental Protection Agency, Food and Drug Administration, and U.S. Department of Agriculture regulate carcinogens and toxins in the food supply; 2) ensure uniform chemical and microbial residue standards; 3) streamline processes for removing harmful substances from the food supply; and 4) establish HACCP principles as the basis for on-site testing and inspection.

Chamber Position

The U.S. food industry's top priority is the enactment of uniform, science-based food regulations aimed at assuring that the food supply is the safest and best in the world. This task requires that current programs of safety assurance be made compatible with state-of-the-art surveillance methods grounded in the best available science.

The Other Side

Federal food regulatory agencies need more personnel, more funding, and greater enforcement powers to adequately protect consumers from food-borne illnesses and harmful adulteration. More-stringent federal standards are especially needed with respect to cancer-causing pesticide and animal drug residues, and states must have the right to set even higher standards than federal agencies if they deem such measures necessary to protect the public health.

Outcomes

- Flexibility (which companies do not now have) to move into the 21st century of quality-assurance techniques.
- Savings of several hundred million dollars now wasted annually on outmoded, organoleptic (i.e., sight- and smell-based) inspection of meat and poultry.
- Avoidance of millions of dollars in lost sales as a result of unfounded food scares.
- Restoration of consumer confidence in the food supply.

For further information, please call Stu Hardy at 202/463-5533.

Federal Government Contracting:
Procurement, Acquisition, and Defense Integration

Objective Achieve a simplified and streamlined federal government contracting process by reduction of non-value added requirements imposed on contractors. Key procurement reforms should include the federal government's use of less-costly, commercial-style procurement practices and increased purchasing of "off-the-shelf" commercial products. Such reforms are consistent with efforts to integrate defense and commercial markets.

Problem Micromanagement of the federal government's procurement and acquisition system via numerous laws, regulations, and committee oversight efforts has produced a highly inefficient and needlessly complex system.

Background The federal government purchases more than $300 billion in goods and services from thousands of businesses annually. Products range from common-use items such as food, furniture, and basic office supplies, to built-to-specification items such as weapons systems and space equipment.

Many publicly available items, such as cookies, ketchup, and pencils, are purchased by the government using detailed specifications. This provides no added value to the government, particularly when it can rely on market forces to ensure product quality and value.

In the past decade, congressional micromanagement, coupled with the ability of federal agencies to add their own contract terms and conditions, has led to excessive regulatory and paperwork burdens in the procurement/acquisition area. Federal contracts may contain hundreds of clauses, many of them overlapping or contradictory. Because of these requirements, the award of a contract can take from six to nine months and often longer. It is especially difficult for small businesses trying to enter the federal marketplace to meet the voluminous and complex bid-proposal and paperwork requirements.

A recent congressional study found approximately 800 current statutes directly related to Department of Defense contracting alone. As many as ten congressional committees claim jurisdiction over one aspect or another of the federal procurement process. Often new procurement requirements are applied to contractors on the basis of anecdotal evidence rather than objective measurements.

Because the government frequently purchases products based on cost rather than price, businesses are required to justify virtually every element of product cost, and certify to their accuracy, completeness, and timeliness. Contractors must sign dozens of certifications, and are subject to extreme civil and criminal penalties for certification errors.

Unique accounting and cost data requirements, as well as excessive paperwork and other regulations associated with government procurement, have led to a reluctance on the part of commercial suppliers to enter the federal market. In addition, the peculiarities of defense procurement rules have been cited as a major impediment to the integration of defense contractors into commercial markets.

Growing pressures on the budgets of federal departments and agencies, particularly in the defense area, necessitate comprehensive procurement reform geared to less-costly, commercial-style procurement practices. Opportunities for new procurement models now exist with the Clinton Administration's emphasis on public/private partnerships and infrastructure investment.

Action Needed

Secure enactment of legislation to eliminate barriers to commercial product acquisition and off-the-shelf purchasing by the federal government. Promote policy and cultural changes which would limit the imposition of unique government accounting and contractual requirements on government contractors. Build upon recent streamlining victories in the areas of contract claims certification and recoupment of nonrecurring costs. Secure enactment of a Paperwork Reduction Act to reduce paperwork burdens on businesses. (See "Paperwork Reduction")

Chamber Position

Federal procurement requirements often create regulatory inflexibility and impose costly administrative burdens on industry, with little value to taxpayers. Private firms should be encouraged to compete for the federal government's business -- not discouraged. The federal government should adopt commercial acquisition techniques and purchase commercial, off-the-shelf products whenever possible. In addition, Congress should review existing statutes, regulations, and enforcement mechanisms before automatically enacting new and often conflicting laws.

The Other Side

Some in Congress and the Executive Branch agencies believe: close and detailed oversight and regulation of federal government contractors is needed to combat incidents of waste, fraud, and abuse in the system, and that dependence on the influences of the free market

Outcomes

· Reduced contractor costs of bidding for, producing, and delivering a product or service to the federal government.
· Quicker procurement cycles for both the government and federal contractors.
· Lower barriers for entry into the system by commercial contractors and small businesses.
· Greater ability of defense companies to enter civilian markets. · Decreased federal spending on unnecessary oversight and regulations.

For further information, please call Lisa Sockett or Lorraine Lavet at 202/463-5528.

RENEWING AMERICAN ENTERPRISE

Level The Playing Field In The Global Market

As the world's economy becomes increasingly interdependent, U.S. export performance grows in importance to the U.S.'s economic future. As a result, the need for stronger global trading rules and a more proactive, coordinated U.S. export promotion policy is imperative.

The United States must redouble its efforts to open foreign markets, both through multilateral discussions underway as part of the General Agreement on Tariffs and Trade and as part of bilateral negotiations. Renewal of tough U.S. trade remedy laws, such as Super 301, will help the United States to gain leverage with countries that refuse to open their markets to U.S. goods. Meanwhile, the United States needs to better coordinate its export promotion programs to help more U.S. firms export.

Establish Fair International Trade and Investment Rules

Objective Secure the establishment of fairer rules governing international trade and investment, both globally through the General Agreement on Tariffs and Trade and regionally through approval of the North American Free Trade Agreement.

Problem More than 40 percent of world trade is not now covered under the General Agreement on Tariffs and Trade (GATT), the principal institution and agreement charged with assuring that world trade remains open and continues to expand. In particular, intellectual property and trade-related investment, services, and agriculture are in need of expanded international discipline. Moreover, existing GATT rules and procedures concerning the settlement of disputes are in need of strengthening.

Also, given a world increasingly disposed to form regional economic alliances, the United States has not yet done enough to improve its trade and economic relations with Canada and Mexico.

Background For nearly half a century, the United States has led the world community in seeking to establish rules that foster increased, more-open international trade. The General Agreement on Tariffs and Trade was established in 1947 for precisely this purpose, and has been the subject of eight negotiating rounds to bring it in line with ever-changing world trade trends. However, as the world economy and its trade flows have become more complex, an increasing share of commerce has ended up outside the coverage of those rules.

When the present international trading system was conceived in 1947, the United States controlled approximately three-fourths of global output and could exert substantial leverage over the nature and scope of international trading rules in the GATT. Today, however, the United States controls about one-fourth of global output. As Asia and Europe have become more effective competitors, they have in some cases sought to change the rules of international trade. Moreover, there is an increasing tendency on the part of many nations to enter into regional trading arrangements, as evidenced by the single European market ("EC-1992") and the North American Free Trade Agreement (NAFTA).

It is in the long-term interest of all nations involved in international trade that the GATT Uruguay Round -- begun in that country in 1986 and involving 108 countries -- be successfully concluded. Although important progress has been made, a positive outcome is by no means certain. As of this writing, antidumping and intellectual property proposals are far from satisfactory. Antidumping and countervailing duty policy will become particularly important with respect to imports from the "post-Socialist" countries of eastern Europe and the former Soviet Union.

With respect to NAFTA, the United States has already concluded negotiations with Canada and Mexico. However, it is not yet certain that all three countries will, in fact, implement the agreement. Many labor and environmental interests in the United States have expressed serious reservations, if not outright opposition, to the NAFTA.

Finally, Congress will need to consider renewing U.S. negotiators' authority to pursue future trade agreements on a fast-track basis by June of 1993. Under the fast-track procedure, Congress must accept or reject within a set period of time any trade agreement, without amendments. Such authority is necessary for the credibility of U.S. negotiators to reach agreements, as well as for expedited congressional consideration.

Action Needed

Implement GATT Uruguay Round and NAFTA agreements that expand needed coverage of trade rules into such new areas as intellectual property, services, investment, and agriculture, while preserving U.S. options under existing trade law. Where necessary, ensure that temporary adjustment assistance helps ameliorate businesses and worker dislocation resulting from the NAFTA. Renew "fast-track" trade negotiating authority which establishes the credibility of U.S. negotiators to obtain agreements that are in the U.S. interest. (See also "Business/Government Cooperation on Technology Initiatives")

Chamber Position

Expanded international trade agreements -- both multilateral and otherwise -- that further U.S. interests will increase market opportunities for U.S. business. This is essential to sustained economic growth, improved U.S. competitiveness, and job creation.

The Other Side

The agreements presented thus far give short shrift to environmental protection and workers' rights and, as such, should be renegotiated from the start, or not

Outcomes

· Reduction and, in some cases, outright elimination of foreign tariff and non-tariff trade barriers facing U.S. exporters.

· Improved protection of U.S. patents, copyrights, trademarks, and other intellectual property.

· Preservation of appropriate remedies against unfair trade practices under existing U.S. trade law.

· Expanded economic growth and market opportunities for U.S. businesses in countries that are parties to the agreements.

· Fast-track authority will result in increased credibility for U.S. negotiators in future efforts to obtain trade agreements.

For further information, please call Wolf Brueckmann at 202/463-5460.

Improve Access to Foreign Markets

Objective Obtain improved U.S. access to foreign markets through reduction of foreign barriers to U.S. exports and investment, and aggressive enforcement of existing trade agreements and U.S. trade law.

Problem While the U.S. market is relatively open to imports and investment from other countries, such treatment of U.S. exports and overseas investment is often not reciprocated in those other countries. The absence of comparable market opportunities for U.S. firms results in a built-in disadvantage for U.S. companies in global markets that is separate and distinct from any issues surrounding the price- or quality-competitiveness of U.S. goods and services.

Background Ever since the United States took a leadership role in forming the international trading system -- the General Agreement on Tariffs and Trade -- it has been committed to a trade policy that is as free and open as possible. It is true the United States maintains trade barriers in a number of instances. However, these barriers are insignificant compared with those maintained by some of America's major trading partners. While the international trading system has sought for some time to strengthen its rules governing access to foreign markets, those efforts have yet to bear important fruit. (Since 1984, the U.S. government has published an annual compendium of foreign trade barriers, the *National Trade Estimates* report. While it is difficult to quantify the cost to the United States of many foreign trade barriers, the amount is significant; estimates run anywhere from 15 percent to 75 percent of the total U.S. trade deficit.) As a result, the United States has found it necessary to take other initiatives to open foreign markets to U.S. exports and investment.

Enactment and implementation of the 1988 Trade Act was the most recent and most important demonstration of U.S. resolve in this regard. That Act contained a number of provisions designed expressly for that purpose: a stronger section 301, including mandatory action against foreign violations of trade agreements and a new "Super 301" process; telecommunications market-access provisions; investigation of discriminatory government procurement practices abroad; and others. The so-called "Super 301" provisions were the most visible in this regard. Those provisions required the United States Trade Representative (USTR) to identify "priority" unfair trade barriers in "priority" countries, and initiate investigations, independently of the multilateral system. If such unfair barriers were found, unilateral action could be taken to counter them if they were not reduced or eliminated. These provisions led to new opportunities for U.S. companies in several areas, either as a direct result of their application, or by the conclusion of trade agreements that were negotiated under the prospect of "Super 301" action. Similar but less expansive approaches are also available under the "regular" section 301 and other market access provisions in U.S. trade law. "Super 301" expired in 1990, and a number of proposals to renew it have emerged.

Action Needed While continuing to strengthen the multilateral trading system, renew the U.S. government's commitment to use its trade law authority to open foreign markets through unilateral means when other means fail. Push for renewal of the 1988 Trade Act's now-expired "Super 301" provisions. Secure enactment of the Trade Agreement Compliance Act (TACA), which upon the request of interested U.S. companies will require USTR review of foreign compliance with trade agreements. Ensure vigorous enforcement of those provisions of U.S. law calling for improved U.S. access to foreign telecommunications and government procurement markets.

Chamber Position

If a non-U.S. company can compete freely in both its home market and the United States, a U.S. company must have similar opportunities in both the United States and non-U.S. markets. Yet the United States must not hesitate to use its own leverage to advance its legitimate international trade interests when other methods fall short.

The Other Side

"Super 301" and other similar provisions of U.S. law are unilateral and, as such, inherently in conflict with international law and U.S. interests. These laws are basically protectionist and should not be extended. In fact, outright repeal would be even better.

Outcomes

- More opportunities for U.S. firms to compete on equal terms with foreign companies in world markets.
- Increased sales and income for U.S. companies and
- Increased employment.

For further information, please call Michaela Platzer at 202/463-5460.

Increase Exports

Objective Secure enactment of legislation establishing as a national objective an increase in the proportion of U.S. gross domestic product represented by American exports -- specifically, an increase from the current 7.5 percent to 16.5 percent (the average of the major developed countries) by 2000. Such legislation will also establish unified budget allocations and single oversight of all federal export expansion efforts, and will declare that exporting is a right, not a privilege.

Problem U.S. foreign policy does not reflect the fact that economics and trade are rapidly supplanting "geo-politics" as the nation's principal foreign-policy challenge, making this nation the only major industrial country lacking a coherent strategy for competing in global markets.

Background During the past four years, even as U.S. economic performance has been less than optimal, exports have accounted for a disproportionate share -- more than 50 percent in some cases -- of growth in the U.S. gross national product. U.S. firms must export more if the United States is to increase its competitive power in world markets. And yet, neither our export control nor our export expansion systems recognize this reality. Historically, U.S. support for its export expansion programs has constituted a drop in the bucket relative to those of its major trading competitors. For example, the U.S. will offer $350 million in tied-aid financing in 1993 to help facilitate U.S. capital goods exports, while Japan, Germany, and other nations are expected to spend over $10 billion each for the same purpose. Moreover, U.S. programs are scattered over a dozen federal agencies, some of which have clearly conflicting objectives. Small business has a particularly difficult time accessing these programs, given their lack of resources and relative expertise.

The nation's approach to export controls and economic sanctions is rooted in a past long since overtaken by events. The United States is no longer the sole or even primary decisionmaker regarding the diffusion of technology on the international market, but merely one competitor among many. Moreover, with the disintegration of communism, economics has replaced military might as the yardstick of national prominence. For the most part, U.S. trade policy has yet to reflect these realities.

Under U.S. law -- unlike that of other major trading nations -- exporting of even relatively innocuous goods is still considered a privilege, subject to various approvals (such as licensing) which can be denied. In an age when economics and global competition will determine our national future, we can no longer afford to write off markets in this manner.

As in the past, the United States remains far more committed than any of its major competitor nations to unilateral export controls for foreign-policy purposes -- the ineffectiveness of such controls notwithstanding. At the same time, those competitors assist their exporters more actively, spend more money, assign more staff, and offer more financial incentives and targeted services than does the United States.

Action Needed Secure implementation of those provisions of the 1992 Export-Import Bank (Eximbank) reauthorization legislation calling for a strategic export development plan and a unified federal trade-promotion budget. Consult regularly with Chambers of Commerce and other private-sector representatives in the development of that plan.

Urge the resolute use of Eximbank war-chest financing and other authorities to combat foreign, predatory export-financing practices.

Promote closer linkage between the provision of foreign assistance and the purchase of U.S. exports by beneficiaries. Secure enactment of an "Exporter's Bill of Rights" that puts the burden on government to demonstrate the need for export restrictions.

Chamber Position

The United States must compete more effectively with its major trading partners for export markets worldwide. Our primary engine of growth and jobs -- small business -- is least able to export without some assistance. The federal government must demonstrate a commitment to exports that is at least commensurate with that of our competitors.

The Other Side

Rapid export growth proves that additional support is not needed and that scarce resources should be committed to other purposes. Foreign assistance programs should remain oriented primarily toward human needs, not subsidizing big business.

Outcomes

- Increased participation in foreign markets by U.S. firms, particularly smaller ones.
- Increased sales and domestic employment by U.S. firms.
- Increased market share for U.S. firms worldwide.

For further information, please call Mark Van Fleet or Jeffrey Hallett at 202/463-5460.

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The U.S. Chamber Federation's 1992 Regional Action Forums

The U.S. Chamber Federation's 1992 Regional Action Forums attracted a broad cross-section of more than 1500 business, chamber, and association representatives. They were held on consecutive days during the week of October 26, 1992 in Rye, New York; Chicago; Los Angeles; Dallas; and Atlanta.

From city to city, the general mood and attitude of the participants was essentially consistent. One predominant sense was a deeply ingrained distrust of the process by which the federal government makes policy. This manifested itself, not in anger and frustration as might be expected, but in a serious and constructive search for systemic solutions.

Many of the men and women at the Action Forums apparently rejected the view, so popular among professional pundits during that pre-election season, that a high rate of electoral turnover in the House might change Congress in some essential way. Instead, these meeting participants remained convinced that turnover in itself is not enough; the federal government's problems do not lie primarily in people but, again, in process. Thus, issue priorities pertaining to process reform (e.g., Tort, Civil Justice, and/or Regulatory Reform) were extremely popular at each meeting. When this deep interest in process reform was combined with a universal concern for the state of the economy, proposals that would force fiscal responsibility upon the federal government, by one means or another, ultimately emerged as the number one or two concern in every city.

At each meeting, eight Morning Breakout Sessions were arranged by topic headings: *Budget, Taxes, and the Economy; Business and Government Regulation; Education and Training; Environment and Resources; Global Economics and Trade; Health Care; Transportation and Telecommunications Infrastructure;* and *Work Force, Labor, and Benefits.* In each Morning Breakout Session, participants identified and briefly described, in priority order, the three issues they felt to be of the greatest importance to the business community. This produced 24 issues, three from each of the eight morning sessions.

Following lunch, eight Afternoon Breakout Sessions were held, with attendance randomized. Using the 24 issues generated that morning, this second set of breakout sessions was used to further refine the process of setting issue priorities. Ultimately, a method of assigning numerical scores to the 24 issues was utilized to produce and list, in priority order, the 12 issues considered by that city to be of the greatest importance to business.

The policy decisions made at these meetings formed the primary basis for this National Business Agenda. The process was identical from meeting to meeting, and the decisions of one city carried no greater weight than those of any other. Input on the National Business Agenda was also received from the Chamber's Board of Directors, policy committees, and membership surveys. The following pages list the twelve priority issues identified in each city.

Rye Action Forum Issue Priorities

Following are the 12 issues, listed in priority order, identified by the participants in the Rye Action Forum as being of the greatest importance to the business community.

1. Balanced Budget

Balance budget by cutting spending, adopting line-item veto authority for the president, balanced budget amendment, and tax reform.

2. Incentives for Capital Formation

Reduce capital gains and implement other tax code reforms such as IRAs and tax credits, and fix credit crunch.

3. Structural Reform of Mandate and Regulatory Process

Overhaul entire regulatory process at federal level; require cost/benefit analysis; establish uniform enforcement of regulations; make each level of government pay for its own mandates.

4. Entitlement Reform

Reduce entitlement spending by reforming/privatizing Social Security and reforming Medicare.

5. Managed Competition

Should be a model to allow for both collaboration among providers to offer better and more efficient service and to promote real competition among provider groups; define basic benefits (i.e., what are we paying for?); managed care and preventive programs are other alternatives; give consumers enough information on prices and outcomes to make informed decisions.

6. Tort/Civil Justice Reform

Eliminate joint and several tort liability; discourage litigation; encourage mediation; apply to both private sector and government.

7. Public/Private Partnerships

Support development of more significant performance-based public/private partnerships by streamlining and coordinating existing programs, examining incentives and disincentives affecting private-sector involvement, and encouraging private-sector involvement in governance at local level.

8. Improve Environmental, Energy, and Land-Use Laws and Regulations

Improve structure of laws, resulting regulations, and their relation to state implementation by requiring stronger scientific bases and cost-benefit analyses; need clear definitions of environmental terms that can cut across local, state, and federal issues to avoid, e.g., an overly restrictive patchwork of state standards; use good science or cost-benefit analyses so that conventional wisdom does not drive environmental regulations (examples include toxic use reduction, environmental packaging, RCRA); need uniform risk assessment.

9. Develop Cohesive Policy Integrating Telecommunications and Transportation Infrastructure

Recognize synergies existing between the movement of goods, services, people, and ideas; utilize technology, including space and security technologies, in an effort to integrate information providers, users, and transmitters; assess how an efficient and effective telecommunications network can help relieve burdens on domestic transportation system; market-driven policies are essential to ensure success of the system; better assess interrelationships between competitive interests, i.e., environment, transportation, and telecommunications; develop comprehensive funding plan; strive for 10-year comprehensive plan.

10. Approve North American Free Trade Agreement

NAFTA agreement between the United States, Canada, and Mexico was initialed in San Antonio in October and must be voted on in Congress, on a straight up or down vote with no amendments, in 1993; must address concerns about NAFTA's impact on employees and businesses (i.e., retraining) and concerns about the environment.

11. Maintain and Improve Basic Existing Infrastructure

Repair roads and bridges; repair water and sewer systems; develop plan to ensure adequate funding for not only new infrastructure, but also for repairs.

12. Malpractice Reform

Excessive litigation in health care area needs to be reined in; one expected result is a decrease in defensive medicine -- a large and unnecessary component of health care cost. Part of this reform process should involve the development and use of treatment guidelines, which also will work to reduce defensive medicine.

Chicago Action Forum Issue Priorities

Following are the 12 issues, listed in priority order, identified by the participants in the Chicago Action Forum as being of the greatest importance to the business community.

1. **Balanced Budget Amendment**
   Ensure budget is balanced through spending control -- not tax increases; give president line-item veto authority as enforcement mechanism.

2. **Entitlement Reform**
   Reform entitlement programs, including Social Security, to bring mandatory spending under control; privatization should be an integral part of the reform.

3. **Government Process Reform**
   Government procedures are fundamentally broken; need term limitations for both members of Congress and staff; eliminate congressional immunity to laws; eliminate special privileges; limit bills to a single topic; limit frequency of changes to laws.

4. **Establish Education and Skills Standards**
   Focus on outcome-based education; establish job skill competencies by industry; stress accountability, quality, and future skill needs.

5. **Regulations Based on Good Science, Risk, and Performance**
   Need more common sense in establishing environmental regulations; use good science and risk assessment; base regulations on incentives and performance rather than command-and-control; regulations must weigh economic costs and benefits as well as health benefits.

6. **Universal Access to Health Care**
   Everyone should have access to health coverage; small business access especially needs to be improved; pooling needs to be instituted so that small businesses can band together to purchase insurance; pooling mechanism should incorporate community rating.

7. **Improve U. S. Business Access to Foreign Markets and Tax-Competitiveness**
   Aggressive U.S. government effort to expand U.S. companies' access to foreign markets; aggressive education of U.S. business about foreign markets; U.S. tax system is key factor in U.S. companies' competitiveness in foreign markets; renew Super 301; public/private education of U.S. small- and medium-sized businesses; revamp U.S. tax system, including consideration of VAT tax, to make companies more competitive internationally.

8. **Product Liability Reform**
   Need uniform product liability laws; difficult/costly to comply with numerous state laws; apply reform

to both manufacturing and services; adopt "English Rule" for attorney fees (loser pays for both sides); eliminate joint and several liability; limit manufacturers' liability for old products; establish penalties for frivolous lawsuits.

9. Approve North American Free Trade Agreement (NAFTA)

Levels the playing field for U.S. companies; better than no agreement; ensure small business benefits, that Mexico enforces its environmental regulations, and that "safety net" features for U.S. employees and companies are used.

10. Dependent Care/Family-Medical Leave

Continue to oppose mandates; U.S. Chamber should undertake efforts to educate business community on ways to provide these benefits, recognizing need for flexibility; encourage flex-time, job-sharing, work at home, etc.; U.S. Chamber should develop data showing what employers are already doing in an effort to show mandates are not necessary; overall theme: business is not against this issue as a benefit -- rather, business is opposed to federal government mandates.

11. Tort/Malpractice Reform

The whole spectrum of tort/liability needs reform; malpractice reform should incorporate cap on awards in malpractice suits, imposed at the national level; malpractice reform is most appropriately viewed as one element of cost control.

12. Improve Capital Formation

Adopt measures, such as the investment tax credit and capital gains tax reduction, to spur the growth of capital formation.

Los Angeles Action Forum Issue Priorities

Following are the 12 issues, listed in priority order, identified by the participants in the Los Angeles Action Forum as being of the greatest importance to the business community.

1. **Balanced Budget Amendment with Tax and Spending Limits**
Enact a balanced budget amendment that would limit revenue and spending to 19 percent of GDP; give the president line-item veto authority to help enforce the amendment.

2. **Entitlement Reform**
Reform mandatory spending programs to get federal spending under control; cap entitlement spending as a preferred way to force Congress to make the legislative changes needed to keep entitlement spending under control.

3. **Encourage Capital Formation**
Encourage capital formation by cutting and indexing capital gains tax; enacting investment tax credit; relaxing the regulatory burden on the financial services industry to increase credit availability and spur real estate development; reforming the Resolution Trust Corp; maintaining a stable tax environment and removing regulatory inconsistencies.

4. **Enforce Requirement for Cost/Benefit Analyses of Regulations and Legislation**
Necessary for improving the economy; economic/business impact study should be conducted before the law is passed -- Senator Nickles' bill to mandate this should be enacted; Council on Competitiveness should be strengthened; opportunity for independent business assessment; reauthorize the Paperwork Reduction Act and return full powers to the Office of Information and Regulatory Affairs.

5. **Consumer-Based Health Care**
Reform health care system to promote responsibility for purchasing care through: self-funded medical savings accounts, similar to IRAs; voucher system (everyone gets tax credit/deduction with which to purchase care, separate from employer); consumer education; basic plan ("no frills"); sharing of information/data.

6. **Access to Natural Resources for National and Local Economic Development**
Must ensure access to natural resources -- including public and private lands -- for national and local economic development; without use of resources, there is no wealth; private use of private lands must be allowed.

7. **Leverage Business Resources to Influence Change**
Education is an economic necessity with resources scarce; focus of support must be on

accountability with an orientation toward results; focus on reform/change with the need to identify "how" resources are spent.

8. **Workers' Compensation Reform**
U.S. Chamber should develop strategies for reforming workers' compensation systems and determine whether these reforms are best accomplished at the state or federal level. Should look at caps on benefits, rate deals for good experience rating, prosecution for fraud, etc.; U.S. Chamber should undertake education efforts for employers -- their rights and responsibilities -- and raise consciousness on workers' comp abuses and need for reform.

9. **Tort Reform**
Penalize frivolous lawsuits; place caps on settlements/damages.

10. **Approve North American Free Trade Agreement**
Will enhance and improve existing trade with Mexico and Canada; adequate consideration should be given to concerns about employees and the environment.

11. **Increase Telecommunications Competitiveness**
Remove restrictions that limit telecommunications choices for consumers and business; encourage policies that promote increased telecommunications competition; promote research and development, American jobs, American products.

12. **Systemic Change**
Focus on complete review of internal management/administration of entire education and training system; sunset all current programs, policies, and budgets.

Dallas Action Forum Issue Priorities

Following are the 12 issues, listed in priority order, identified by the participants in the Dallas Action Forum as being of the greatest importance to the business community.

1. **Economic Growth Incentives**
   Revise the tax code to encourage investment and capital formulation, i.e., reduce capital gains tax; enact investment tax credit; alternative minimum tax reform; estate tax reform; eliminate double taxation of corporate profits.

2. **Balanced Budget Amendment with a Tax Cap**
   That says it all.

3. **Line-Item Veto**
   Enact line-item veto constitutional amendment as a major means of balancing the budget.

4. **Regulatory Process Reform**
   Mandate cost/benefit analysis for all regulations; pass legislation to mandate cost/benefit analysis of all prospective laws before enactment; reauthorize the Paperwork Reduction Act; create opportunities for input.

5. **Develop Strategic International Trade Plan**
   Restructure U.S. foreign assistance programs to support U.S. business; facilitate investment in emerging markets; promote private sector/university/federal laboratories cooperation; develop noncompany-specific national industrial/technology policy to transfer research and development to companies.

6. **Tort Reform (Health Care)**
   Reform medical liability system to reduce practice of defensive medicine.

7. **Environmental Regulations Based on Sound Science and Cost-Benefits**
   Utilize sound and objective scientific evidence in the development of environmental and land-use legislation and regulations that encompass cost-benefit analyses; eliminate regulations that make U.S. goods and services less competitive in the global market.

8. **Life-long Learning Systems Analysis**
   Promote concept of life-long learning (prenatal to work force); create tax incentives for innovative training/retraining initiatives; stimulate greater business coalition development.

9. **Congressional Exemption from Employment Laws**
   Encourage congressional coverage under work force, labor, and benefits laws; identify members of Congress to sponsor legislative effort; publicize the issue, including actions Congress takes.

10. Civil Justice Reform

Create incentives for mediation, rather than litigation; penalize frivolous lawsuits; permit civil fines to be applied to costs of complying with regulations/laws.

11. Approve North American Free Trade Agreement

Approve as soon as possible; inform U.S. business and public what NAFTA really does.

12. Establish National Telecommunications Strategy

Develop national telecommunications strategy that encourages competition vs. regulation; provide incentives for investment in research and development; provide incentives for developing national telecommunications network; include public/private partnerships; establish telecommuting centers nationwide.

Atlanta Action Forum Issue Priorities

Following are the 12 issues, listed in priority order, identified by the participants in the Atlanta Action Forum as being of the greatest importance to the business community.

1. **Balanced Budget Amendment with Limits on Taxes and Spending**
   Enact a balanced budget amendment that places limits on taxes and spending.

2. **Mechanisms for Health Care Cost Control**
   Work to control costs by emphasizing: managed care; outcomes measures and incentives to use them; fold worker's comp into health insurance system (24-hour coverage); wellness; insurance reform (e.g., standardized claims processing); support technology but control its proliferation; emphasize primary and preventive care; define basic benefit package; tort reform.

3. **America 2000**
   Continue support for and working toward full implementation of America 2000 strategy; greater focus on SCANS-type programs and pre-school initiatives; stimulate greater use of technology and space to achieve national education goals; greater emphasis on responsible citizenship.

4. **Growth Incentives to Increase Economic Growth and Global Competitiveness**
   Enact tax incentives to spur economic growth; reduce the regulatory burden on business to allow business to grow; encourage research and development and technology development through tax incentives.

5. **Develop Strategic Plan for All Infrastructure Needs**
   Promote public policies for integrated infrastructure development; invest in mass transit; invest in rapid rail to connect cities.

6. **Mandate Cost/Benefit Analyses of Any Legislation Imposing New Requirements**
   Assess cost of new proposed mandates before they become law; enact the Nickles Bill, which mandates an analysis to assess compliance costs.

7. **Advocate a National Strategic Policy by Industry**
   Promote public/private partnerships to fund research and development for commercial applications; consolidate all international trade-related agencies; create incentives for additional credit and insurance sources for small and mid-sized exporters.

8. **Striker Replacement**
   Will encourage adversarial relationship between management and labor; nothing more than a union-organizing tool; impact would be felt by all businesses -- large, small, union, and non-union; will accelerate exodus of jobs from United States.

9. Incentives for Public/Private Partnership

Focus on retraining of existing employees; prepare and train entry-level employees; provide greater tax incentives for public and private sectors.

10. Line-Item Veto

Enact a constitutional amendment to give the president line-item veto authority.

11. Right to Work (14b)

Oppose efforts to repeal right to work laws, which would unfairly increase the strength of unions.

12. Civil Justice Reform

Penalize frivolous lawsuits; eliminate unnecessary lawsuits.

Government Contact Information

Telephone Numbers

U.S. Capitol switchboard
House: 202/225-3121
Senate: 202/224-3121

United States House of Representatives
Clerk of the House: 202/225-7000

Cloakrooms (scheduling information, floor action)
Democratic: 202/225-7330
Republican: 202/225-7350

Cloakroom recordings
Democratic: 202/225-1600 scheduling information, 202/225-7400 floor action.
Republican: 202/225-2020 scheduling information, 202/225-7430 floor action.

United States Senate
Secretary of the Senate: 202/224-3622

Cloakrooms (scheduling information, floor action)
Democratic: 202/224-4691
Republican: 202/224-6191

Cloakroom recordings (scheduling information, floor action)
Democratic: 202/224-8541
Republican: 202/224-8601

General Telephone Numbers
Congressional Record Index: 202/512-0275
Government Printing Office Order Desk: 202/783-3238
Federal Register (for public law numbers): 202/523-5230
White House Comments Line: 202/456-1111 (to call and voice opinions, etc.)
White House Public Fax Comments Line: 202/456-2461

United States House of Representatives

Speaker: Thomas S. Foley (D-5, WA)
Majority Leader: Richard A. Gephardt (D-3, MO)
Majority Whip: David E. Bonior (D-12, MI)
Democratic Caucus Chairman: Steny H. Hoyer (D-5, MD)
Minority Leader: Robert H. Michel (R-18, IL)
Minority Whip: Newt Gingrich (R-6, GA)
Republican Conference Chairman: Tom DeLay (R-22, TX)

United States Senate

President: Albert Gore, Jr., Vice President of the United States
President Pro Tempore: Robert C. Byrd (D-WV)
Majority Leader: George J. Mitchell (D-ME)
Majority Whip: Wendell H. Ford (D-KY)
Democratic Conference Chairman: George J. Mitchell (D-ME)
Minority Leader: Bob Dole (R-KS)
Minority Whip: Alan K. Simpson (R-WY)
Republican Conference Chairman: Thad Cochran (R-MS)

When You Write...

Suggested Addresses and Salutations

The Honorable John Doe
United States Senate
Washington, D.C. 20510 (Dear Senator Doe:)

The Honorable John Doe
United States House of Representatives
Washington, D.C. 20515 (Dear Representative Doe:)

The President
The White House
Washington, D.C. 20500 (Dear Mr. President:)

U.S. Chamber of Commerce Quality Learning Services Division 1993 Satellite Seminar Programs

The U.S. Chamber of Commerce is ready to help you handle the new Administration, the new Congress, and today's challenging business environment. The Chamber's live, interactive downlinked seminars focus on the future – what you need to know and how to use that knowledge. Recognized authorities will share with you their experiences and secrets in dealing with the following topics.

Implementing Quality Management

February 4 -- Getting Started in Quality Management: Fundamentals of Continuous Process Improvement (CPI)
Provides a road map to implementing CPI -- critical to the success of products and services -- and outlines key principles.

February 17 -- Basics of Benchmarking
Introduces "benchmarking" -- the identification and implementation of the best practices of world-class performance -- in straightforward terms.

February 26 -- At the Cutting Edge of Quality Management
Shows how quality management strengthens an organization, makes it more competitive, and ensures its long-term survival.

March 4 -- Gain-Sharing: Alternative Rewards to Support Quality Management
Shows how to develop and use the work force to its full potential, resulting in quality improvement, a happier work force, and personal and organizational growth.

April 8 -- Business Process Redesign
Explains the essential elements needed to embark on "business process redesign," which provides dramatic improvements in business performance for many major corporations. Includes customer and competitor research, planning, cost/benefit analysis, benchmarking, teamwork, information and technology, and managing change.

April 15 -- Quality Strategic Planning
Examines the importance and essential elements of strategic planning for quality management.

May 6 -- Training and Managing Teams for Process Improvement
Clarifies the differences among the three major types of teams: cross-functional, process improvement, and ongoing work (self-managed). Includes essential factors for team success.

May 19 -- Establishing Vision and Mission
Outlines the critical role a clear mission and vision play. Topics include development of an organization's vision; developing the goals and mission statements necessary to achieve the vision; and translating that vision into action.

June 3 -- Applying Dr. Deming's Principles to Quality Management
Quality management will be introduced by Dr. W. Edwards Deming, the originator of the quality movement. Two noted experts in the Deming philosophy will outline the major concepts and detail key elements needed to successfully apply this classic approach to Quality Management.

Quality Management in Government Series

May 27 -- Total Quality Management in Government
Provides key examples of successful quality management programs at each level of government in a variety of service areas.

June 17 -- Measuring Quality in the Public Sector
Offers a detailed framework and practical methods for measuring customer expectations and satisfaction, then links process improvement to these measures.

Quality Management in Health Care Organizations Series

June 24 -- Quality in Health Care: A Prescription for Improvement (I)
Shows how to successfully plan and implement a quality strategy in a health care organization, offering a plan and road map for making quality happen in your health care organization.

June 30 -- Quality in Health Care: A Prescription for Improvement (II)
Discusses the practical application of the fundamental tools, concepts, and methodologies of making quality happen in the health care industry.

Quality Management in the Legal Professions

July 14 -- Competing through Quality in the Practice of Law
Introduces the legal profession to the benefits and basic concepts of Quality Management.

Small Business Management Series

March 25 -- Personnel Administration: The Changing Law of the Workplace
Examines ways in which the Clinton Administration and the 103rd Congress may change workplace laws, emphasizing such topics as increases in the federal minimum wage; major reform of OSHA; family leave; an employer-funded national health plan; striker replacement; and repealing state right-to-work laws.

April 1 -- Basic Financial Management: Budgeting and Accounting for Small Business
Discusses choices for new businesses -- sole proprietorship, partnership, or corporation -- and the tools needed to make lease or buy decisions. Shows how to read and understand basic financial statements and offers important insights into organizing yourself to manage information.

April 22 -- Employee Benefits: Competition vs. Survival
Discusses competing against larger firms that can offer more to new recruits without bankrupting your organization and strategies for designing and implementing a benefits program.

May 12 -- Business Owners Insurance: Liability, Fire, and Theft
National authorities draw on their experiences as risk management consultants and insurance brokers to thousands of independent business people nationwide to discuss such vital topics as assessing business risks and determining and lowering insurance premiums.

June 10 -- What Every New Small Business Owner Needs to Know
Explores the realities of starting a business, including selecting and pricing products or services and carving out your target market.

National Issues Series

January 27 -- Workers' Compensation
Explores the reasons for skyrocketing workers' compensation costs and how employers can significantly affect these costs with easy, inexpensive changes.

February 10 -- North American Free Trade Agreement (NAFTA)
Debunks the myths that NAFTA will result in massive business relocation to Mexico and worsened U.S.-Mexico border pollution. Explains NAFTA in straightforward terms and outlines how it will benefit U.S. businesses of all sizes, including how opening Mexico's market will actually mean increased opportunities for U.S. exporters.

March 11 -- Employing People With Disabilities (Americans With Disabilities Act)
Unmasks the myths surrounding the Americans With Disabilities Act and provides the details needed to comply, including hiring, supervising, and training people with disabilities, as well as defining "reasonable accommodations."

March 18 -- Business Without Barriers: Providing Access and Accommodation for People With Disabilities
Examines in more detail removal of the physical barriers that limit access for employees and customers, as well as providing accommodations in the workplace.

April 29 -- ISO 9000
Explains why interest in ISO 9000 -- a quality assurance system designed to ensure a consistent level of quality for manufactured goods -- is increasing, and why many U.S. exporting companies, particularly those selling in Europe, must adhere to these standards.

Second Half 1993 Programs

October 7 -- Applying the Deming Philosophy to Quality Management

October 14 -- Community Quality Coalitions
Includes an overview of state and local coalitions and the objectives of these groups, as well as organizing and sustaining coalitions and the role of the Chamber of Commerce.

October 27 -- Quality Management in Higher Education
Includes discussion of administrative and support services and training in quality management for students.

For further information on program locations, costs, how to become a local sponsor, or how to obtain downlink capability, contact your local chamber of commerce or call the U.S. Chamber of Commerce's Quality Learning Services Division at 202/463-5570.

1993 Congressional Recess Schedule

January 5 -- Congress reconvenes

January 11-19
Senate: not in session
House: District work period
(January 18 -- Martin Luther King Jr.'s birthday)

January 20 -- Inauguration Day

February 8-15
Senate: not in session
House: District work period
(February 12 -- Lincoln's Birthday)
(February 15 -- Presidents Day)

March 19-22
House: District work period

April 5-13
House: District work period
April 5-16
Senate: not in session
(April 6 -- Passover)
(April 9 -- Good Friday)
(April 11 -- Easter)

April 23
Senate: not in session

May 28-June 4
House: District work period
May 31-June 4
Senate: not in session
(May 31 -- Memorial Day)

July 2-9
House: District work period
July 5-9
Senate: not in session
(July 4 -- Independence Day)

August 9-September 6
Senate: not in session
August 9-September 7
House: District work period
(September 6 -- Labor Day)

September 16 -- Rosh Hashanah

September 25 -- Yom Kippur

October 8 -- adjournment target date

Arrange now with the local offices of your members of Congress to meet with them when they come home for congressional recesses. The 1994 recess schedule should be available in late 1993.