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Small Business Opening Statement

Max S. Baucus
Senator * or Department*: BAUCUS

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MONTH/YEAR of Records*: October-1980
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(1) Subject*: Small Business
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Opening Statement of Senator Max Baucus on October 13, 1980

Small business is an essential component of the Western economy. A recent 1976 study of my state and 10 others west of the Mississippi (excluding California) found that 85% of the businesses had fewer than 20 employees. Ninety-nine percent had fewer than 500. Total employees in small business numbered almost two million, or 69% of the total work force in the private sector. Minnesota's profile is probably not much different.

During the last year, there has been increasing attention to these fundamentals and to small business in general. The White House Conference on Small Business in January which was called for by our committee in a 1977 resolution, helped to bring these facts into focus and to galvanize the efforts of groups such as that.

Small business also provides stability to a community by diversifying the economic base. It increases competition, accounting for more than half of the major innovations in contemporary life. Perhaps more important, it provides opportunity -- a chance for the entrepreneur to "go for it."

Because of rapid energy development and large scale public works projects, the Western economy could undergo tremendous changes during the 1980's. To avoid "boom and bust" cycles, the regional economy must be stabilized by the development of a diversified economy. Small business, the foundation of the Western business economy, is an important source of providing that diversity.

But because of this development, competition for capital,
labor, and other business resources will increase. In my view, now is the time when we should be planning and taking actions which will enhance the long term vitality of small business in this region. That is why I extended the Small Business Committee's hearings on capital formation into the field, and specifically, to this area of the country early this year (April 7th, 1980).

Our committee made capital formation a national issue with its pioneer hearings in February 1978. We announced that: "Capital gains policy since 1969 has become a disaster for small business and the nation; and thereby launched the effort that rolled the tax on invested capital back from a maximum of 49% to 28%.

This is our sixth round of these hearings. We have learned a great deal and we have developed and passed a lot of legislation. For example, on October 1, we enacted a 7-title Securities bill designed to bring down the cost of raising capital for a small firm from an average of $200,000 to $40,000, and changes the Securities and Exchange Commission with the mission of bringing costs of capital formation down from their present heights.

We have formulated a 9-point small business tax package that is combined with incentives for research plus a sweeping depreciation reform bill in the tax bill (H.R.5829) approved by the Senate Finance Committee. In cooperation with the Small Business Committee, Finance has also developed an estate tax relief bill (S.2967) which would increase the federal exemption to $500,000 and allow unlimited transfer between spouses.
Senator Nelson, who is chairman of the Senate Task Force to implement the White House Conference recommendations, as well as chairman of this committee informs me that, of the 14 items placed on the Task Force Agenda this year, 5 have been enacted, 6 have passed the Senate, 13 have been reported out of committee and onto the Senate calendar for action, and all 14 have been introduced as bills and received public hearings.

The chairman of the Senate Finance Committee, Senator Russell Long, told the Senate on September 30th, Senator Nelson and the Task Force have "succeeded in getting more of these bills enacted than anyone believed was possible."

We are truly turning things around in the small business sector of the economy. But, there is much that remains to be done nationally, and in this region.

The U.S. is suffering from generation of overconsumption and underinvestment. This has led to a weakening of our economic foundations, infrastructure and capital goods sector. In my view, one of the most promising avenues for shoring up the economic foundations of our country is to go back and re-examine and retrace its development first laid when it was an undeveloped country. Thus, if the problems are obsolescent plants, lack of capital, and slowing research and development, that accelerated depreciation, more R&D writeoffs, and lower capital gains rates could be a large part of the answer.

We have taken our hearings out to the field because we know that your businesses are on the firing line. We find it is extremely valuable to listen to your evaluation of the problems and your suggestions for solutions. We are looking forward to
hearing this eminent group of witnesses this afternoon on this subject of basic national importance.