1-1-1978

Water Wings For Business

Robert Robb

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The theme of the meeting was "Small Business — Sink or Swim?" And the keynote speaker told the assembled members of the Arizona Chamber’s Small Business Council that the entire small business community better start treading the political waters or they are going to sink in the economy.

Duane Pearsall used to be a small businessman; in fact, was selected the SBA's Small Business Person of the Year in 1976. He had, however, discovered the ionization process that makes some smoke detectors work, and now his company is a division of Emerson Electric.

Nevertheless, Pearsall hasn’t forgotten his roots. Calling small business the “fundamental creative, inventive ingenuity of the United States”, he cited the following statistics as proof of small business’ contribution to our economy:
- 97 percent of all business is small business;
- small business provided half of the employment in the United States;
- small business generates 46 percent of our Gross National Product.

Unfortunately, however, small business finds it increasingly difficult to attract the venture capital necessary to sustain this contribution. According to Pearsall, in 1956 there was three times the capital investment in small business as there was in big business. Today, however, that is reversed with big business attracting one and one-third times the venture capital attracted by small business.

Who’s to blame? According to Pearsall, small business is wrong to resent big business. “I don’t want to hear anything negative about big business,” he says. “We need big business.”

Instead, says Pearsall, look to government for your cast of villains. “Small business should be cherished, nurtured, protected, and encouraged by government,” he claims. “But instead government is (small business’) adversary. This cannot continue.”

The first thing government has done to hurt the position of small business is to overregulate business in general. Pearsall recited the catalogue of acronyms that give business fits: OSHA, EPA, SEC, IRS, ERISA…

The regulations emanating from these laws and agencies apply to big business as well as small business. Pearsall observed, but big business is far better able to comply with or even evade them than is small business. Small business tends to operate on a smaller margin, meaning it is less capable of absorbing the costs of compliance or transferring resources to or from other ventures.

Sometimes this excessive regulation has hurt not only small employers but also those employed by them. For instance, after ERISA rules were promulgated governing private pension plans, the administrative costs of running a plan skyrocketed. Many small employers had no choice but to drop their plans.

The second thing government has done to enervate small business’ economic vitality is to pass laws which, regardless of intention, discourage investment in small business. Again, ERISA offers an example.

According to the act, investors of private pension funds are personally liable if they fail to invest the funds prudently. Obviously it is more prudent to invest in large established firms than to invest in young, small, unproven firms. Hence, pension fund investors, under the threat of personal liability, have tended to shift resources from small to large enterprises.

According to Pearsall, the current shape of President Carter’s tax package would further divert investment from small to big firms. Carter seems to be leaning toward eliminating capital gains tax allowances. “My God,” declares Pearsall, “capital gains are the life blood of small business!”

Then Carter also proposes eliminating double taxation on dividend income, which, as Pearsall observes, will disproportionately benefit large business since few small companies pay dividends.

As Pearsall says, no one opposes eliminating the double tax on dividends. But doing this while simultaneously terminating the tax allowances for capital gains is “sticking the knife in the back of small business”.

According to Pearsall, who is a member of the U.S. Chamber’s Small Business Council, the only solution to small business’ problems is organizing to gain political clout. Small business, he observed, has high
Still many Americans are frustrated over this conversion process. Housewives worry that they will not be able to prepare their recipes. Others worry that it will have an impact on age-old Americana. For instance, will our grandchildren be quipping, "28.35 grams of prescription are worth .453 kilograms of cure.", or "Give him 2.54 centimeters and he will take 1.609 meters." Can't you just imagine Lindsey Nelson broadcasting that the Rams have the ball on their own 42 meter line, first down and 9.144 meters to go?"

Any major change in the way of traditionally doing things causes functional problems as well as cultural ones. The process of metric is no exception. A survey of Arizona state agencies indicates that there will have to be some significant adjustments. However, agency heads do not consider these adjustments as major obstacles which cannot be overcome.

The Arizona Department of Transportation (ADOT) is currently conducting a test metrication of road signs along I-19 between Tucson and Nogales. Signs indicating distance will be posted only in metric units. Speed limit, vertical clearance and advisory signs will be posted in both customary and metric calibrations. This project is being conducted as a feasibility of metrication of highway signs. When and if total conversion takes place, it will require a considerable expenditure of funds to replace existing traffic and road signs.

The Purchasing Office (Department of Administration, Finance Division) has encountered no problems in bidding or specifications concerning metric units. As individual industries convert to the use of metric units, so will purchasing. Even when conversions take place few, if any, problems are anticipated. At the present time, pharmaceuticals involve three sets of measurements — apothecary weight units, U.S. customary units and metric units. Office supplies will be the major area involved in conversion to metric units when the individual industries convert.

The Arizona Department of Education has passed a resolution setting 1980 as the date for total conversion to metric measurements in all Arizona school districts. An Arizona Metric Advisory Council is in operation and a Public Awareness Program is under-

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There Will Be Ripples

Metrification will not be implemented without causing some ripples. For example, what will be done with regard to customary unit references in the Arizona Revised Statutes? It would be a tremendous undertaking to comb the statutes searching for every reference to inches, pounds, quarts and then writing an omnibus bill several inches thick to change the references to metric units. Another problem confronting government and industry as well is what to do with the millions of legal documents on file, such as land descriptions and existing contracts. Will these have to be changed to metric units? Obviously some documents would have to be amended concurrently with the mandated change to the metric system.

So it appears as though the metric system's time has come in the United States and like it or not larger and larger segments of the American population will be forced by necessity, if not by government mandate, to adapt. But, look on the bright side. We can save all of our rulers, tape measures and bathroom scales. They will undoubtedly become antiques and collectors' items in decades to come.

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