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Roundup

'80 a turnaround year, small-business meet told

By George Ferguson

Associate business editor

Labeling small business a "sleeping giant who is beginning to awake" Denver businessman Duane D. Pearsall said 1980 might well go down as "our turnaround year."

As featured speaker at a well-attended Conference on Small Business Thursday at Little America, Pearsall pointed out: "In 1976, there were only a handful of bills presented in the interest of small business. In 1980, there were about 100. I predict 1980 will become a small business landmark — our turnaround year."

Pearsall heads up his own small business counseling and investment firm — the Small Business Development Co. He also is president of the Mountain States Association, an eight-state alliance of small business groups.

Pearsall's observation that the sleeping giant is beginning to awake was underlined by attendance at this second annual conference according to David L. Tomlinson, president of the Utah Small Business Council. The more than 200 delegates dwarfed last year's attendance.

"Since 1934, the small businessman has been drifting along — thinking that someone in Washington, D.C., was taking care of him" said Pearsall. "Suddenly it dawned on him that no one in Washington was watching out for his interests. He has started to flex a few muscles and now, for the first time since 1934, small business is getting a few breaks. But it's only the beginning."

Pearsall said the sleeping giant has also started to ask, "Who am I?" He learned, Pearsall added, that he creates 87 percent of all the new jobs

in this country's private sector.

"The giant also found out — while he was sleeping — that he has shrunk. In 1956, small business had a total capital investment three times the size of big business. Today, big business capital investment exceeds small business" Pearsall stated.

"In 1972, small business contributed 46 percent to the nation's gross national product. In 1977 it had shrunk to 44 percent and it is estimated it will fall to 43 percent in 1980. I am concerned that this fundamental image of free enterprise is fading."

Pearsall noted that acquisitions are helping to shrink small business. "Capital assets have switched over to big business," he noted. He added, however, that "big business is doing its thing, and we are not. We can't get our thing going by undermining big business, which is our biggest resource. The 10 to 12 million small business people have got to develop clout — a grass roots lobbying force that works with every congressional delegation."

Pearsall said the graduated tax program is unfair to small business because revenues between \$50,000 and \$100,000 are taxed at 30 percent, but as receipts grow taxes become smaller. "We've had a regressive tax impact on small business that no one recognized as existing," he said.

Pearsall said paper work and regulations are seriously disproportionate on small business. "The paper work and regulation cost burden of a corporation that makes in excess of \$1 billion is \$4 per \$100,000 in sales. For a small business with revenues of \$500,000, the cost is \$134 per \$100,000 in sales.

"Under the burden of regulatory compliance, it is even more difficult

for small business to generate capital internally and the risk for generating capital externally is almost catastrophic."

Pearsall said inflation and the Federal Reserve System have "teamed against small business, a big reason why the number of bankruptcies doubled in 1980 or over 1979. "Small business is typically a high debt-to-equity operation. The roller coaster prime rate — manufactured in New York — has been borne by small business."

Pearsall said he worries about the concentration of banks trend developing for the 1980s. He said there are about 14,000 banks now and it has been estimated that will shrink to 3,500.

"This could be disastrous for small business," he said. Small banks make small loans. Big banks make big loans. If we lose the small banker, we're in trouble."

He also foresees at least one adverse effect of the energy boom predicted for the Mountain West area. "As people come in and build homes, a bank's outflow may well exceed savings. The bank has to borrow money at the prime rate and the cost of money to small business arises. Very few are looking at the cumulative impact of synthetic fuels development, MX, etc."

Pearsall advised that small businessmen "get behind the Reagan administration and get your priorities in."

Panel discussions at the day-long meet explored the economic impact of growth on small business in Utah: small business success stories — how to do it right the first time; financing, the number one need, and small business and political action.