5-5-1978

Small Businesses Face Unfriendly Government

Landis Fleming

Follow this and additional works at: https://digitalcommons.wpi.edu/ms055-03-0019

Part of the Entrepreneurial and Small Business Operations Commons

Recommended Citation
Retrieved from: https://digitalcommons.wpi.edu/ms055-03-0019/28

This Other is brought to you for free and open access by the MS055.03 Small Business Records at Digital WPI. It has been accepted for inclusion in MS055-03-0019 Statitrol, SBA Award, Misc. Business Articles by an authorized administrator of Digital WPI. For more information, please contact digitalwpi@wpi.edu.
Small business is "a sleeping giant" that needs to be awakened, Duane D. Pearsall told Oklahoma City Chamber of Commerce directors. Pearsall, who heads his own firm in Denver, charged the government with "destroying the creative strength of America through misguided legislation." Seated is Richard D. Harrison, president of the chamber. (Staff photo by Bob Vandewater).

Small Businesses Face Unfriendly Government

By J. Landis Fleming
Staff Reporter of the Journal-Record

Small businessmen in the country "have presumed" someone in Washington was looking out for them, "but nothing could be further from the truth," Duane D. Pearsall, president of Denver's Statitrol Corporation, said Thursday.

Speaking to members of the board of directors of the Oklahoma City Chamber of Commerce, Pearsall, who was named 1978 national Small Businessman of the Year, said "Our government is destroying the creative strength of America through misguided legislation that is killing small business."

Pearsall told the directors that small businessmen are "suffering a backbreaking burden of government regulations and paper work," and he attacked OSHA, EPA, the FDA and ERISA (Emergency Retirement Income Security Act) as being among the chief culprits.

Pointing out that small business is "the critical ingredient to preserving the creative strength of America," Pearsall called small business "a sleeping giant," and indicated that it is about to be awakened, through the efforts of Chambers of Commerce and other groups.

"Small business," he said, "has become unattractive due to unreasonable effects of over-reactive federal legislation, the costs of compliance, the cost of paperwork, and the IRS tax raises that have not reacted to inflation."

He declared that, "The unintended effects of recent legislation says, loud and clear, that the giant community of small businesses must awake and shout like a giant, before it is rendered totally helpless. The demise of this giant would surely foretell the demise of our free economic system."

Pearsall said nationally there are more than 10 million small businesses representing 95 percent of the total of all businesses. These, he said, employ more than half of the employed population. "In other words," he explained, "about 50 million of our total employed population of 95 million are employed by small business firms."

Speaking of OSHA, he observed that it uses tactics "not unlike those of a police state, even though it was intended to improve working conditions. But it has developed into a monstrous set of regulations, imposed on business and oriented to instant penalties for alleged violations. There is not a business, or indeed a home, in this country, that is immune to violations of OSHA."

In the matter of the Environmental Protection Act, the speaker said, "Although its intent was to present further degradation of our environment, there are all too many cases of serious over-reaction, costing millions of dollars, presuming to

(See SMALL, Page 2)
remove one hazard when, in fact, they only substituted another."

The Warranty Reform Act, Pearsall said, likewise well intended to protect the consumer, is causing many of the more reputable consumer product manufacturers to change what had been a full warranty to a "limited warranty" for fear of legal reprisals. He also spoke of the ERISA, or the Pension Reform Act, which he said was enacted to protect the retirement income of employees. "Again," he said, "the bureaucratic blanket of over-regulation has caused more pension and profit sharing plans to be cancelled than at any time in our history."

Urging that "Small business should be cherished, nurtured, protected and encouraged to grow," Pearsall said that, in all of the cases. "Legislation designed to protect employees and consumers was mainly designed to further regulate big business. The real victim of the legislation has been small business, because we have no giant shouting for us in Washington."

Source of Ideas

"Small business," Pearsall said, "is the source of the overwhelming majority of new ideas and inventions from which new industries are born and new markets developed, and small business should be supported by government as a partner in its progress."

Capital is not going into small business today for many reasons, principally the government regulation, he said. "In 1956," he reported, the total invested capital in business firms with under $50 million annually in sales was 3.1 times that invested in businesses larger than that.

"But 20 years later this had been completely reversed, and capital in the larger businesses was 1.3 times the capital invested in small businesses. This is an erosion of investment in small business, at a ratio of four to one, in only 20 years."

He said, in order to remain independent, an emerging, growth-oriented business needs access to an increasingly larger amount of capital. "In 1972," he said, "there were 415 public offerings for capital for small businesses, which returned $1 billion to small, emerging firms. But in 1974 there were only 16 public offerings, returning less than $17 million."

---

Pensions $400 Billion

The employees retirement act is largely responsible for this, he observed. Pension and profit sharing funds in the country will reach $400 billion by 1980, he said, but the ERISA restricts any investment of this capital in small business ventures.

Speaking of the capital gains tax, which has been increased twice, Pearsall said that inflation was figured in, businesses now are paying a capital gains tax of 100 percent.

There is some hope, in that the United States Chamber of Commerce is beginning to become interested in the plight of small business, he said. "We have a small groundswell going and it may be the turning point we need."