To terminate this valuable, productive, cost-effective agency would reduce the Federal deficit by a factor of one ten-thousandth—one one-hundredth of 1 percent—point-zero-zero-zero-one. It would not make a dent on the deficit. In fact, it would make hardly a blemish. The benefits of this agency's work vastly outweigh its costs.

Mr. Speaker, USTTA has proven its value to America. It should be allowed to continue its good work.

CONGRESSIONAL ACCOUNTABILITY ACT OF 1995

SPEECH OF

HON. ANNA G. ESHOO

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, January 17, 1995

Ms. ESHOO. Mr. Speaker, I was proud to vote for S. 2, the Congressional Accountability Act.

Although I wholeheartedly support this long overdue legislation, I am disappointed that it did not include language that would prohibit Members of the House from using frequent flier miles accrued on official business for their personal use.

When I first came to the House, I initiated a policy in my office on February 23, 1993, which said that all frequent flyer miles accrued on official business must be used in connection with official travel and not for personal use.

Mr. Speaker, my office, and therefore the taxpayers, have realized significant savings from my travel on accrued frequent flier miles. We should pass legislation in the future that extends this reform to the House of Representatives. Until then, my office will keep this practice in effect.

INTRODUCTION OF LEGISLATIVE PACKAGE TO BOOST SMALL BUSINESS GROWTH, PRODUCTIVITY, AND JOB CREATION

HON. RON WYDEN

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, January 24, 1995

Mr. WYDEN. Mr. Speaker, today I am introducing a package of four bills to help small businesses fulfill their potential as the engine of U.S. economic growth and job creation. This package is designed to overcome structural barriers that limit small businesses' ability to raise capital, attract and motivate skilled employees, and export to fast-growing foreign markets.

These are three important challenges that face small businesses today, but too often these companies are victimized by Government indifference. Consequently, literally thousands of promising small companies die each year, not because they lack a good product or skilled management, but simply because they are too small to have the same opportunities for money, workers, and markets that larger companies take for granted.

Mr. Speaker, if the U.S. economy is to continue to grow and create jobs, small business will have to be out front. Statistics clearly show that, despite the barriers they face, small companies are the key to the economy's future. In the 1980's, large companies lost a net 2 million jobs while small companies created a net 20 million. Moreover, in my home State of Oregon, perhaps the most predominantly small business State in the country, 98 percent of the businesses employ fewer than 100 workers, and the State government projects that fully 70 percent of the State's job creation in the 1990's will come from those small firms.

Mr. Speaker, the legislative package I am introducing today will give small businesses a fair chance to grow and prosper. It will not give small companies any special breaks; rather, it will clear away some of the structural impediments that prevent them from competing on an equal footing.

These are the four bills in the package:

1. THE ENTREPRENEURSHIP PROMOTION ACT

At some point in its development, nearly every small business faces a crisis in finding the capital necessary to finance continued growth. Nearly every company gets caught in the awkward position of being too large to be financed internally, but not yet large enough to tap the public capital markets or adequate bank financing. Capital is the lifeblood of every small company, spreading nutrients throughout its operations, and without sufficient capital, an otherwise healthy small company with a great product line will be doomed to wither away.

Companies caught in this position frequently turn for help to so-called angels—venture capitalists willing to invest their own money in companies they think have a real chance to succeed. Today, there is just not enough venture capital money available for these companies. Investing in new firms is risky, and most investors would rather take the more predictable returns of blue-chip stocks or Government securities than take a flyer on a small company. Moreover, in those parks of the country not near a financial center, there is frequently not a sufficient mass of potential investors who know the local companies well enough to risk an investment.

Again, in my home State of Oregon, with its fast-growing software, computer, environmental, biotech, wood products, and other industries, numerous companies that could be global competitors and create thousands of jobs are at risk, simply for want of venture capital funds.

It is imperative, Mr. Speaker, to pump more funds into the venture capital pipeline and to direct more of those funds to the companies that really need them. The Entrepreneurship Promotion Act is designed to do that by creating a tax incentive to get more investors involved—and keep them involved—in starting and growing job-creating small businesses.

This bill would create a tax rollover, similar to the one available to homeowners, to enable an investor who sold his stake in a qualified small business to reinvest the money in another qualified small business and defer paying taxes on the capital gain.

With this bill, investors would have an incentive to keep their money in the productive sector of the economy, rather than simply cashing out their investment. Moreover, the bill would target the incentive at investments in firms with less than $20 million in annual sales—those companies with the fewest financing alternatives and therefore most in need of venture funds.

I am especially grateful to have Mr. MATSUI and Mr. SPRATT join me in sponsoring this initiative today.

2. THE FAMILY SAVINGS AND INVESTORS PROTECTION ACT

A second vital step to increasing the availability of capital to small business is to increase the return on investments and thereby draw more funds into the investment sector.

Currently, investors who hold long-term assets get taxed on both the real gain in value of their investment and on the gain due solely to inflation. When the Government taxes paper profits, not real profits, the added tax burden can be so great that investors can actually end up paying a higher effective tax on capital gains than even the top income tax rate.

The message this backward tax policy sends to investors is, ''don't save, don't invest, just consume.'' That is the opposite of what is needed to nurture a healthy, inflation-free environment in which small businesses can grow and prosper.

The Family Savings and Investors Protection Act would index capital gains prospectively so that investors would pay taxes only on the real gain in their investment and not on the phantom gains due to inflation.

A recent report by the Institute for Policy Innovation calculated that lowering the cost of capital by prospectively indexing capital gains would, by the year 2000, increase capital formation in the United States by $995 billion and create 260,000 jobs. Reflecting the higher economic growth, and resulting tax payments, net Federal revenue would increase by over $40 billion.

Combined with the tax rollover bill, indexing capital gains would provide significant relief to those small businesses that have good products and good management but are starving to death for lack of capital.

Mr. speaker, capital gains tax policy has been caught in fearsome partisan debate for many years but I believe it is time to move beyond old divisions and recognize that indexing capital gains is good for small business, good for investors, and good for the Federal Government.

3. THE EMPLOYEE PARTNERSHIP REWARD ACT

If Americans are going to enjoy long-term economic growth and more well-paying jobs without triggering inflation, it will be vital to raise productivity. Without rising productivity levels, long-term living standards will stagnate and American jobs will be increasingly vulnerable to global competition.

One proven way to increase productivity at a firm is to put in place a performance-based reward plan, in which workers receive direct benefits based on their success in achieving certain measurable goals for the firm.

Those goals can vary depending on the priorities of the firm at a given time. For example, a young company may want to boost sales or market share, a company making major new investments may want to raise productivity, and a more mature company may simply want to increase profits. All of those goals are valid—the crucial issue is that those goals must be communicated clearly to workers and the rewards must be tied directly to the firm's performance relative to those goals.

These types of plans come under many different names—profit sharing, gain sharing, performance pay, and so on—but they all share the key characteristic that employees have a stake in the success of their firms and that they will share in that success with managers and investors.

The results where such reward plans have been put into place are dramatic. One comprehensive study found that the average productivity improvement in firms that implemented such plans was 7.4 percent—significantly higher than recent economywide productivity growth rates of 1 to 3 percent. Moreover, in Japan, where about 25 percent of a worker's pay is tied to the performance of the company, fully 93 percent of the workers feel they benefit from an increase in the company's productivity, compared to just 9 percent in the United States.

Performance-based reward plans also help make labor costs more flexible. This flexibility encourages firms to create more jobs, because the marginal cost of hiring an additional worker is less. Moreover, layoffs are less likely because when a firm goes through a bad spell and cash is short, its fixed labor costs are lower, as well.

One great example of this benefit is a company called Lincoln Electric, a Cleveland-based manufacturer of welding machines and motors. This company suffered a 40-percent decline in revenues during the 1981–83 recession, yet it laid no one off, and has not done so since the early 1940's. And, in Japan, the unemployment rate has stayed around 3 percent through the recent recession—about half the level in the United States during the recovery.

The Employee Partnership Reward Act would provide firms and workers with tax incentives to implement performance-based reward plans. Firms would be able to deduct 110 percent of their payments to workers under such a plan, while workers would receive a tax credit of $100–$500, depending on how much of their salary came from payments under the plan.

It is entirely appropriate for the Federal Government to encourage such plans through tax incentives because increased productivity and new job creation are good for the whole economy.

Today, the Federal Government offers billions of dollars of tax incentives for deferred pension plans, which help people save for retirement but have been shown to have little effect on productivity or job creation. The United States also offers incentives for investments in machinery—in effect, encouraging firms to replace workers with machines. Last year, such capital investments received $22 billion in tax breaks, while investments in workers got just $2 billion.

Surely, there is room within the budget to reorder priorities so there can be an incentive for firms to implement plans that benefit the whole economy by boosting productivity and creating new jobs.

4. THE SMALL BUSINESS EXPORT ENHANCEMENT ACT

Mr. Speaker, even if a firm succeeds in attracting sufficient capital and boosting productivity, it will in many cases still need to compete in fast-growing foreign markets in order to prosper.

Exports are becoming an increasingly important part of the U.S. economy. Nationally, exports are growing three times as fast as overall economic growth. Over the past 40 years, the rate of job creation in trade-related fields grew three times faster than overall job creation. One in six U.S. manufacturing jobs is now related to exports, and those jobs pay 22 percent more than the average U.S. wage.

The lesson is clear: As the global economy continues to develop, successful exporting will make the difference between a good economy and a great economy.

While the U.S. economy overall has reached world-class exporting status, small businesses in the United States still lag behind. Smaller companies face special challenges in getting into foreign markets, but export assistance generally has not been provided in a way they find useful.

The trade statistics clearly show that small business has not fully shared in the global bounty. According to the Commerce Department, only 10 percent of U.S. firms are regular exporters. A few large firms account for the bulk of U.S. exports, despite the fact that 90 percent of U.S. manufacturers are small- and mid-size firms.

Clearly, small businesses remain a large untapped resource of potential export growth for the U.S. economy. However, small businesses with competitive products frequently face high transactions costs and inadequate information about foreign markets, which limit their ability to export. They need some additional help, but Government is not successfully providing it.

The Federal Government is the major provider of export assistance, spending over $3 billion a year. A quick look at its export assistance program reveals why small businesses are having such a hard time.

There are over 150 Federal export promotion programs fragmented among 19 different Federal agencies. These programs are characterized by duplication of effort, overlap, inefficient dissemination of services and information, turf battles, and confusion among both providers and users of assistance. The Trade Promotion Coordinating Committee concluded that ''for many small- and medium-sized firms, getting through the bureaucracy may be as great a hurdle as foreign market barriers.''

While Federal programs trip over each other and frequently miss their intended targets, many State-based export assistance providers—including State departments of trade, local industry associations, international freight forwarding companies, local and regional banks, chambers of commerce, and world trade centers—have established good local networks that can effectively deliver timely, accurate, and useful assistance to would-be small business exporters.

For example, in Oregon the State department of trade, working closely with the private sector, has set up an admirable model. It is focused on identifying specific, targeted trade leads, doing outreach to companies to inform them of opportunities, and working closely with the companies to help them through the export process. It is a classic example of local leaders who know the local economy working cooperatively to get the most out of the State's export potential. Unfortunately, in Oregon as in other States, those providers of export assistance are woefully short of resources.

The Small Business Export Enhancement Act would redirect millions of dollars from the Federal Government to State-based export providers. For the most part, this money will be used to fund partnership programs, designed to combine the resources of the Federal Government with the local networks of State-based export providers. The bill also directs the trade promotion agencies to offset this new spending by identifying in a report to Congress savings of at least $100 million to be achieved through consolidating or eliminating some of those 150 Federal programs that provide overlapping or duplicative services.

Mr. Speaker, the report of the National Performance Review stressed that the Federal Government needs to reallocate its export assistance resources to sectors that have clearly shown growth potential while it works to make its services more accessible to clients. Clearly, small business is the obvious place to turn to boost U.S. export growth, and the best way to help small business to export is through State-based providers that know the local companies and their particular needs.

If the United States can successfully turn the small business sector into a source of export strength, it can provide a structural economic boost that can put the country on a permanently higher plane of income growth and job creation.

THE HYDROGEN FUTURE ACT OF 1995

HON. ROBERT S. WALKER
OF PENNSYLVANIA
IN THE HOUSE OF REPRESENTATIVES

Tuesday, January 24, 1995

Mr. WALKER. Mr. Speaker, today I am introducing legislation to authorize and fund the hydrogen research, development, and demonstration programs of the Department of Energy.

Hydrogen holds the greatest promise as an environmentally benign renewable energy source. It is readily available from water and when it combusts it leaves no noxious residues, but again only water. What we have is a replacement fuel for our fossil-based economy, because hydrogen can be used in as many ways, and more, as any available fossil fuel now being used without the environmental cost associated with cleanup. Hydrogen will play a major role in the energy mix of the future and it is up to us to see that we begin this integration wisely, economically, and efficiently.

Hydrogen offers the potential for a limitless supply of clean, efficient energy. However, its use faces large technical hurdles, particularly in production and storage, that must be overcome. The Department of Energy's Hydrogen Program has also been plagued in the past by rather erratic funding profiles, which have limited its effectiveness.

The Hydrogen Future Act of 1995 will focus Federal hydrogen research on the basic scientific fundamentals needed to provide the foundation for private sector investment and development of new and better energy sources and enabling technologies without adding to the budget. The bill, while allowing modest increases in the hydrogen authorization, requires corresponding offsets to pay for this research by freezing the overall Department of Energy research and development account.

The Hydrogen Future Act of 1995, will give added direction and funding stability to a most worthwhile energy research and development program.