



## Call to a Sleeping Giant

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**O**UR GOVERNMENT is destroying the creative strength of America through misguided legislation that is killing small business. We are suffering a backbreaking burden of regulations and government paper work. We have presumed someone in Washington has been looking out for us, but nothing could be further from the truth.

Since 1972, business has been burdened with a new administration for safety and health, called OSHA. From legislation originally intended to improve working conditions for the employee, it has developed into a monstrous set of regulations imposed on business and oriented to instant penalties for alleged violations, using tactics not unlike those of a police state. In my opinion, from a brief but painful exposure with OSHA, there is not, nor can there be a business that is immune to violations of OSHA, regardless of the conscientious intent of the business.

We were burdened with the Environmental Protection Act. Although its intent was to prevent further degradation of our environment, there are all too many cases of serious overreactions costing millions of dollars, presuming to remove one hazard when, in fact, they only substituted another. The costs of environmental impact statements in many cases are horrendous. There ought to be an Economic Impact Statement — before allowing any new piece of legislation!

Now comes the Warranty Reform Act. Though its intent was to protect the consumer, it is causing many of our more reputable consumer product manufacturers to change what had been a full warranty to a restricted or "limited" warranty for fear of legal reprisals. The more severe type of reprisal is the new breed of class action suits.

Most recently, ERISA or the Pension Reform Act, was imposed. The intent was to protect the retirement income of employees who had historically, either by intent or by circumstance, been defrauded. Again, the bureaucratic blanket of overregulation has caused more pension plans or profit sharing plans to be cancelled since its

enactment than at any time in our history. In addition, because of the so-called "prudent man rule" concerning investment of pension funds, trustees of those funds have been inhibited from making investments promising higher returns for the benefit of the employees. On the other side of the coin, institutional investors of pension funds have been forced to divert their funds away from small business and into investments of low risks such as the more secure big business and government funds.

**Misguided.** In each case, legislation designed to protect employees and consumers was mainly designed to further regulate big business. The real victim of this legislation, however, has been small business because we have no giant shouting for us in Washington.

Small business should be cherished, nurtured, protected and encouraged to grow. Small business is the source of the overwhelming majority of new ideas and inventions from which new industries are born, new markets developed, and small business should be supported by government as a partner in its progress.

Small business is the critical ingredient to preserving the creative strength of America.

Nationally, there are approximately nine million small businesses which represent 95 per cent of the total of all businesses. They employ over one-half of the employed population. In other words, about 50 million of our total employed population of 95 million, are employed by small business.

Hypothetically, participation of 100 per cent of small businesses in the U.S. to a budgeted commitment of one-half of 1 per cent of pre-tax profit would produce in excess of \$1 billion per year. This minimum budget should be used to support Colorado organizations such as the Denver Chamber of Commerce and Colorado Association of Commerce and Industry in protecting and promoting small business in the state legislature.

To support federal legislation, the new Center for Small Business of the U.S. Chamber, the National Federation of Independent Business and other

national business associations are available and eager to expand their activities. All that is needed is a firm commitment from the small business community.

In terms of voter strength, assuming 100 per cent agreement on small business issues, counting only the business principal and his or her spouse, we have a minimum of 18 million votes and also a powerful lobbying potential through correspondence with congressmen.

How can positive legislation for small business have an impact on our national economy?

For starters, take the current unemployment problem. According to the October issue of *Fortune*, one-half of our current 7.5 million unemployed people left their jobs voluntarily. In other words, an unemployment rate of 3.75 per cent should be considered, for practical purposes, a "full employment" condition.

If new federal tax legislation would allow a tax credit of \$5,000 for each new additional full-time employee up to a total credit of \$20,000 (4 employees in one year), it is possible that the total unemployment surplus of 3.75 million people could be absorbed entirely by small business!

Since the majority of the unemployed are unskilled women and teenagers, we can presume an average hourly rate of about \$3. Annual cost to the employer for one such employee would include \$6,000 of direct labor plus an estimated 100 per cent burden factor, for a total of \$12,000. With a \$5,000 tax credit, his net cost would be only \$7,000. Such an incentive should stimulate many small businesses to expand employment, hence productivity. Since it is limited to a total of \$20,000 credit, its major benefit is to small business. Compare this with the estimated cost to the government of \$25,000 per unemployed person for short-term, make-work jobs under the current \$4 billion Public Works Bill, or the proposed Humphrey-Hawkins Bill, and this is a bargain.

Only 38 per cent of all small businesses, adding one person each, is required to erase current unemployment.

Small business is also being stifled out of existence due to the lack of available capital. This fact has recently been confirmed by a special Task Force of the Small Business Administration.

**EDITOR'S MESSAGE**

How free is the free enterprise system? Recent events have brought that question into sharp focus. All the evidence is not on one side of the issue.

There are some in the business community who put the emphasis on enterprise. They make a case for allowing those who operate in the private sector to take their chances, free of government regulation, and carry on any kind of activity that is not expressly forbidden by law.

Proponents of that view say anyone who gets out of line on price, quality, safety, or commits any other indiscretion will be adequately regulated by the customer, who will turn away, take his business elsewhere, and soon put the businessman who is out of line out of business.

A second, and much larger segment of the business community feels that often there is too much emphasis put on enterprise. Such businessmen feel a cooperative curb may be necessary to keep extremists in line. So they organize ethics committees to set standards for the good of all. Fair trade pricing grew out of just such concerns and flourished until Congress recently outlawed the practice. Better Business Bureaus are dedicated to the same proposition that a little self regulation is better than the totally free market.

There is a third group, which is coming more and more into prominence — businessmen who put the emphasis on free rather than on enterprise. They want enterprise all right, but they seem to be saying they want it free of risk.

A prime example of that approach was seen recently in the strategy of the pharmaceutical companies which balked at producing swine flu vaccine until the government assumed the risk of malpractice suits that might arise from the use of their product. Another example, which hits even closer to home, involves the suspension of shale oil development by some of the nation's largest petroleum companies on the ground they had to have more government guarantees against

loss before they would continue their work. It is interesting to note they did not give up their pre-emptive rights to shale oil development. They just got permission to stop the yearly payments on their tract bids while they work on the guarantee side of the equation. When the federal office of technology finishes the shale oil analysis Colorado Sen. Floyd Haskell has asked for, it will be interesting to see if the shale developers can still make a case for more government help.

Luckily for progress all businessmen do not fall into the three categories listed above. Two, who have been eminently successful, are willing to take chances, and believe in enterprise are featured in this issue of COLORADO BUSINESS. One is Harry Bass Jr., the man who bought Vail — a successful oil company operator. For the inside story of why Bass bought Vail, and his plans for the resort, see Money.

The other successful businessman who has some strong ideas on how the system ought to operate and how businessmen should organize is Duane Pearsall, president of Statitrol Corp. of Lakewood, Colo., who was named the outstanding small business man of the year by the Small Business Administration. Pearsall writes this issue's Special Report, and offers some ideas that should be of interest to businessmen everywhere.

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With the presidential election now a part of history most citizens are ready to forget politics for a while, but for those with an active interest it is almost time to warm up for the forthcoming gubernatorial election in 1978. In Colorado, Gov. Richard Lamm stands at the half-way point of his four year term. Again this year, as they did last year, the editors of COLORADO BUSINESS have conducted a public opinion poll to see how he is getting along with his constituency (See Government). It is a long haul to the next election, but chances are future events have already cast their shadow on the Colorado statehouse.

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