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Small Business Woes Heard on Hill

By Nancy L. Ross

Washington Post Staff Writer

Duane D. Pearsall, a manufacturer of smoke detectors, was chosen Person of the Year by the Small Business Administration in 1976. Today his once-independent firm, Statitrol is a division of Emerson Electric.

Pearsall told a Senate hearing yesterday his tale of how hand-to-mouth financing forced him to seek a merger with a large company. Under study was a bill to upgrade the SBA and create a Small Business Economic Council.

Though Statitrol was the largest independent smoke alarm manufacturer, it was unable to generate enough capital internally to meet the competition.

As a small, relatively unknown firm, it could not expect a stock offering would be successful because the pension reform act has dried up venture capital. So, in order to automate and conduct further research and development, another small business had to become part of big business.

"The Commerce Department has never made a strong pitch for small business in the cabinet," observed Sen. Hubert Humphrey (D-Minn.), a co-sponsor of a bill to upgrade the post of SBA administrator to cabinet rank. In fact, he added, the Commerce Secretary "doesn't have the same clout as (the secretaries of) Agriculture and Labor. I guess it has to do with the mutual suspicion of business and government."

The vice chairman of the Joint Economic Committee then observed, "Besides, corporate business doesn't need anyone in the cabinet; they run

this country. I don't need to represent Cargill (one of the largest grain exporters located in Minneapolis) Cargill knows more people in Washington than Humphrey does. But small business doesn't get to responsible ears in the administration."

The bill, which Humphrey termed "the most important small business legislation in years," also calls for creation of a council consisting of the SBA administrator, the Secretaries of Treasury, Commerce, Labor and Agri-

culture, and the chairmen of the Federal Reserve, the SEC, the Federal Trade Commission and the Council of Economic Advisors. It would create small business investment policy. Also, the President would report small business goals annually to Congress.

The bill also requires comprehensive economic research into factors affecting small- and medium-sized businesses, such as unemployment rates, contracts for plants and equipment and changes in inventories and assets. The purpose of the research is to arm the SBA administrator with enough hard economic data to permit him to plead the small businessman's case effectively in government policy-making bodies. At present, SBA's input is minimal, according to Herbert Liebenson of the National Small Business Association.

Last June the Congress ordered SBA to make a study of 10 key areas, including taxes and capital formation. Yesterday, Sen. Thomas McIntyre (D.-N.H.) told the current SBA administrator, A. Vernon Weaver, "That (\$350,000) job you've done isn't worth a damn." Representatives of small business trade associations agreed it didn't shed much new light on their problems.

The report calls for reducing the complexity and excessive paperwork in filing requirements, lower tax rates, an increase in tax credits for capital investments, and a change in the estate tax. As tax liabilities now stand, the person inheriting a small business receives about 50 cents on the dollar.

STATISTIC

Of the Day

Americans are eating more of their meals away from home. According to the National Restaurant Association, nationwide restaurant sales in May totaled \$4.9 billion, up 7.3 per cent from the same month last year.

For the first five months of 1977, the trade group reported yesterday, eating and drinking establishment sales were up more than 9 per cent to \$22.34 billion. Over the same period, food store sales rose only 6 per cent.

Over any two-week period, 50 million American families dine out an average of six times, the association found in a recent survey.

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