

Economists and Policymakers Tackle Global Small Business Challenges

On June 15, 2005, the Office of Advocacy co-sponsored "Global Perspectives on Entrepreneurship Policy." This half-day pre-conference session was held in conjunction with the International Council for Small Business annual meeting in Washington, D.C. The event was co-sponsored by the National Federation of Independent Business and the United States Association for Small Business and Entrepreneurship, and it featured new research on public policies worldwide as they relate to small businesses.

The four panels examined impediments to business entry, global efforts to reduce regulatory burdens, technology transfer and innovation, labor challenges, banking deregulation and restructuring, and small business lending.

One recurring theme of the afternoon was the need to reduce administrative burdens and regulations that make it difficult for firms to enter the market. In countries such as the

United States, the time required to start a business is less than a week. This is not the case worldwide, however. Some countries require an arduous entry process that can take firms from five to seven months. The overall effect of such elaborate government red tape (real or perceived) is a disinclination to engage in entrepreneurial activity. The foregone economic opportunities of this are felt globally.

A second important theme was technology transfer and its effect on small business expansion. Many regions and countries look to their universities to commercialize innovations to provide new economic engines for growth. This is consistent with past Advocacy research.

The Office of Advocacy will make the proceedings of the "Global Perspectives" event available in the coming months both in print and on the Advocacy webpage, at www.sba.gov/advo.

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President and CEO Jack Farris, of the National Federation of Independent Business, delivered the keynote remarks at Advocacy's June 15 pre-conference session.

Advocacy's RSS Feeds Now Live on Webpage

Advocacy's webpage now features two RSS (really simple syndication) feeds. The feeds give you news that has been posted to Advocacy's webpage without having to visit the homepage. You can sign up to receive "Advocacy What's New" and "Advocacy News Releases" by visiting www.sba.gov/advo/rsslibrary.html. You will need an RSS reader to read the feeds. Several free ones can be accessed from the webpage.

Economic News

Advocacy Report Examines Access to Computers and Self-Employment

A new report published by the Office of Advocacy in June examines the link between home computer ownership, self-employment, and industry distribution. The report, *Technology and Entrepreneurship: A Cross-Industry Analysis of Access to Computers and Self-Employment*, by Robert Fairlie, was published in June.

The study results indicate that male and female computer owners were more likely to become entrepreneurs than non-computer owners. It also shows that entrepreneurs with prior access to home computers are starting many different types of businesses.

- Analysis of individual-level data reveals that male computer owners are 0.6 percentage points more likely than non-computer owners to become entrepreneurs, and female computer owners are

0.7 percentage points more likely to become entrepreneurs than non-computer owners.

- The average rates of business formation from 1980 to 1982 were 2.2 percent for men and 1.2 percent for women, and by 1999 to 2001, the rates for entrepreneurship had increased to 2.7 percent for men and 1.5 percent for women.

The full text of this report is available on Advocacy's webpage at www.sba.gov/advo/research/rs259tot.pdf. To receive email notices of new Advocacy research, press releases, regulatory communications, and publications, including the latest issue of *The Small Business Advocate* newsletter, visit <http://web.sba.gov/list> to subscribe to the appropriate Listserv.



On June 6, Office of Advocacy staffers discussed regulatory reform and current issues of concern at the U.S. Chamber of Commerce's Small Business Council. Pictured here (from left) are Alex Hecht, regulatory counsel for the Senate Committee on Small Business and Entrepreneurship; Assistant Chief Counsel for Advocacy Michael See; and Marc Freedman, director of labor law policy, U.S. Chamber of Commerce. Mike See discussed the Department of Justice's upcoming revisions to rules implementing the Americans with Disabilities Act.

New Rule Requires Consumer Information Protection, Disposal

In an effort to protect sensitive consumer information and reduce the risk of fraud and identity theft, a new federal rule is requiring businesses to take appropriate measures to dispose of sensitive information derived from consumer reports. The "disposal rule," which took effect June 1, 2005, was issued by the Federal Trade Commission. It applies to businesses and individuals who use consumer credit reports for business purposes. An alert sheet spelling out the rule's requirements is available at www.ftc.gov/bcp/online/pubs/alerts/disposalalrt.htm.

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Message from the Chief Counsel

Foreign Researchers Examine Entrepreneurship

by Thomas M. Sullivan, Chief Counsel for Advocacy

The United States is admired around the world for its entrepreneurial culture—both the social atmosphere that encourages risk taking and welcomes innovation and the legal structure that is conducive to launching and expanding small businesses. The Office of Advocacy is likewise admired on account of its mission to protect small business from excessive government regulation.

I was reminded of the office's unique standing at the recent annual meeting of the International Council on Small Business (ICSB) in June. This international gathering traverses the continents, and this was the first gathering in many years to be held in the United States.

At the annual meeting, Advocacy had the unusual opportunity to convene a pre-conference session examining global policy on small business issues. Throughout the afternoon, I heard many familiar themes and was stunned to think of the global economic difference that policies promoting small business could have on the world economy. I was likewise honored that so many researchers and policymakers looked to the Office of Advocacy as a model to champion the views of small business within the government arena.

Advocacy's research has long shown that small firms have a significant impact on U.S. job creation and economic output. Similar findings hold true in other nations as well, and like the United States, those nations are looking toward entrepreneurs to fuel their economies. The number of individuals engaged in business worldwide is large and growing. In 2004, the Global Entrepreneurship Monitor (GEM) report estimated that in the 34 countries it studied, 73 million

adults were "either starting a new business or managing a young business of which they [were] also the owner." Now that the GEM study is in its sixth year, it is widely accepted that countries with higher rates of entrepreneurial activity achieve greater per capita output.

A recent publication of the Organisation for Economic Cooperation and Development makes a similar point. "Increasing rates of entrepreneurial creation is now almost a universal concern for local authorities as well as for central governments wishing to accelerate development in disadvantaged localities." Clearly, pro-entrepreneurial policy is a hot topic around the globe.

One widely recognized first step is the need to reduce the administrative burden on starting and operating small businesses. To put regulation under the microscope, many European countries have begun a process known as "regulatory budgeting." In her remarks at the pre-conference, Betina Hagerup, an official with Denmark's Commerce and Companies Agency, discussed how the Danes have lightened the regulatory costs to business through detailed measurement of administrative burdens coupled with annual targeted reductions. Many nations have mimicked this model.

In order to accomplish their mandated reductions, Sweden identified 291 actions from eight ministries and 46 agencies to be implemented by 2006. These actions include reducing forms and reporting requirements, increasing cooperation between agencies, and shortened processing times. In addition, regulations must now take into account the economic impact on small businesses. These activities are strikingly similar to

functions performed in the United States by the Office of Advocacy within the SBA and the Office of Information and Regulatory Affairs in the White House.

At the end of the day, though, some might question how much reducing regulatory burdens matters for would-be entrepreneurs. Can it really affect business activity? Simeon Djankov from the World Bank presented memorable evidence on the subject. His research showed that the number of days needed to start a business varies from two days to 203, and the costs range from a few dollars to many times the average annual salary. (These are the time and costs required just for government approval of a startup.) Djankov cited several countries that have made efforts to reduce the administrative obstacles to new businesses over the past few years. Serbia was one of these, and it has seen a 42 percent jump in the number of new businesses in a one-year period. Belgium, Estonia, Romania, and Vietnam also saw double-digit increases in startups.

During the ICSB meeting, I met many prominent leaders from all corners of the globe and was struck by the similar focus of academics and politicians as they embrace smaller firms. Each sees the entrepreneur as a key driver of productivity, growth, and enhanced international competitiveness, and each believes that the role of government is to embrace small firm owners and reduce the burdens that might stand in their way. It is now up to the governments of the world to respond in kind so that starting a business of one's own can become a freely available opportunity for individuals wherever they live.

Regional Roundup

Small Business Champion Eric Munson Hired As Regional Advocate

Eric Munson has joined the Office of Advocacy as the advocate for the federal government's Region VI, covering Arkansas, Louisiana, New Mexico, Oklahoma, and Texas. "Eric Munson is a great addition to President Bush's small business team," said Chief Counsel for Advocacy Thomas M. Sullivan. "His experience in state government and his representation of small business trade associations will allow him to immediately help small business owners combat overly burdensome government regulations."

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Munson has been a champion of small business in Arkansas while representing the Arkansas National Federation of Independent Business, the Associated Builders and Contractors of Arkansas, the Arkansas Wholesale Marketers Association and others before the state legislature, state government agencies, and at the federal level. Munson serves on the board of trustees of Pulaski Technical College and previously served on the Southern States Energy Board. He was featured as one of the *40 under 40* to watch for in the *Arkansas Business Review*.

Advocacy's regional advocates help identify new issues and concerns of small business owners. They monitor the impact of federal and state policies on small business at the local level. They work closely with local government offi-



Region VI Advocate Eric Munson.

cials, state officials and legislators, and the chief counsel for advocacy to develop programs and policies that reduce regulation and promote small business growth.

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