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In This Issue

Four Chief Counsels Reflect on 25 Years Fighting for Small Business1

Advocacy and the White House Conferences on Small Business2

Regulation in an Age of Entrepreneurship6

Nominees Sought for 2002 Small Business Awards8

Message from the Acting Chief Counsel

Twenty-five Great Years . . . and Counting3

Economic News

New Earnings, Minority Business Studies Released . . .7

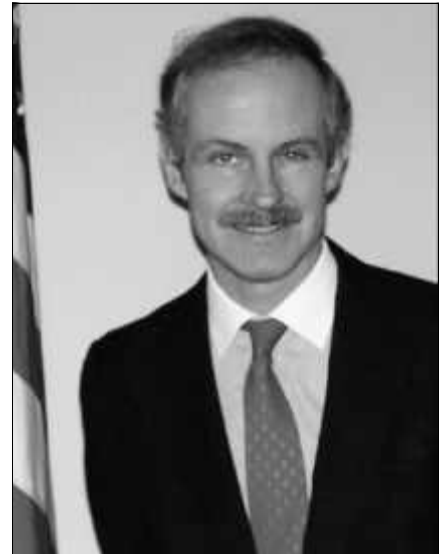


Four Chief Counsels Reflect on 25 Years Fighting for Small Business

In its first quarter-century, Advocacy has been led by four Senate-confirmed chief counsels: Milton D. Stewart (1978-1981); Frank S. Swain (1981-1989); Thomas Kerester (1992-1993); and Jere W. Glover (1994-2001). In recent interviews, the four shared their thoughts on Advocacy's past, present, and future.

You were an active small business advocate even before you were tapped for the chief counsel job. What's special about small business that led to your career choice?

Milt Stewart: I spent my youth in a family-owned small business begun and managed by my father



Chief Counsel Frank Swain served Advocacy from 1981 to 1989.

and mother. Most of our friends, relatives and neighbors were small business people. I acquired great respect for the skill and courage of small business entrepreneurs. As a result, it seemed to me that Thomas Jefferson's affection for rural agricultural people was misplaced: Urban small business people had replaced them as the bearers of economic virtue.

Frank Swain: My belief is that small business was underrepresented, so there was a need. And the small business position—in contrast to the government, labor, or large business view—was usually the right one in my opinion.

Tom Kerester: The basic reason that small business is special is that



The man in the white hat: Advocacy's first chief counsel, Milt Stewart.

Continued on page 4

Advocacy and the White House Conferences on Small Business

The first White House Conference on Small Business was held in January 1980 and became the model for those that followed in 1986 and 1995. The idea for a national conference at which small business people could air their grievances and, more importantly, offer their constructive proposals for improving the small business climate, was the joint creation of both House and Senate Small Business Committees and President Jimmy Carter.

This was a great opportunity for the fledgling Office of Advocacy. Advocacy and the conference were gearing up at exactly the same time. This gave Advocacy the chance for much significant nationwide outreach and visibility. The conference created regular state meetings that became forums where Advocacy staff could find out what small business's real concerns were and start to think about solutions that would work.

The state and regional meetings culminated in the national conference at which a small business agenda was drawn up, and Advocacy was an integral part of all that went on. The small business community learned that Advocacy was a part of government whose unique mission was to help make the federal government work for it, and Advocacy learned the importance of listening to small businesses first. That first conference ended with a standing ovation for Milt Stewart in recognition of his hard work in making the conference a success.

And what a success it was! Not only were many of the 60 top recommendations adopted, but the small business community also learned the value of coming together and speaking out loudly in the policy-making process. The desire to make sure that the 1980 conference was not a flash in the pan led to the second conference held in August

1986. Again, a similar process was followed: management by a White House-appointed commission; state and regional meetings; and a final national conference making 60 important recommendations.

And, again, Advocacy was a vital part of that process.

Eight years later, Advocacy was again called on to help with the start-up of the third White House Conference on Small Business, which ultimately took place in June 1995. Advocacy functioned as the research and issue arm for the conference staff. Research began even before the first state meetings. Advocacy developed a series of task force meetings and issue focus groups to develop a comprehensive issue resource book for use by state meeting attendees. The regional staff of the Office of Advocacy also assisted the process with outreach and media support.

Post-conference, the chief counsel for advocacy convened implementation meetings to help the delegates establish a network to follow up on their recommendations. Advocacy also monitored and reported to the delegates on recommendations from the conference and on other important small business issues.

There have now been three conferences in the past 21 years. Each of them helped bring the small business community closer together and to articulate more clearly an agenda for a prosperous and successful small

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business economy in our great nation. Advocacy was fortunate to be in a position where it could be a vital part of all three conferences.

Key Accomplishments of the White House Conferences

- 1980:** Regulatory Flexibility Act; Equal Access to Justice Act
- 1986:** Reauthorization of the Small Business Innovation Research program; SBA maintained as a separate agency
- 1995:** Small Business Regulatory Enforcement Fairness Act
Health Insurance Portability and Accountability Act
Taxpayer Relief Act

Message from the Acting Chief Counsel

Twenty-five Great Years . . . and Counting

by Susan M. Walthall, Acting Chief Counsel, Office of Advocacy

I love Advocacy. I've grown up with it, and I love it.

Twenty-five years ago, I was just out of school and interviewing around Washington. One of the first places I interviewed was here at the SBA. Advocacy was new then and the first chief counsel, the legendary Milt Stewart, was two years away from Senate confirmation. I was hired to work in the then-new Women's Business Ownership Office, which at that time fell under Advocacy.

Twenty-five years later and I am the acting chief counsel. I didn't know it then, but I know it now: This is the best job in the federal government. It is truly an honor to have been asked by President Bush to be the acting chief counsel.

The Office of Advocacy is one of the few federal offices that exist to encourage and support the hard working small business owners who are the backbone of America and drive our economic growth and job creation. And, it has a well-qualified, strong professional staff whose only goal is to support and defend small businesses. It's no wonder that I truly love this job, this place, and these people.

Lessons Learned. I have learned a lot along the way about small business, about politics and policy, and about leadership. I think one of the important lessons I've learned is that open communication, both to and from the small business community, is what makes Advocacy so effective and so special.

When I was first hired at the SBA, my father, who was a successful air conditioning contractor, asked, "The SBA? What has the SBA ever done for me?" But after I was hired, and after I had the chance to explain what the SBA, and espe-



Susan Walthall, acting chief counsel for Advocacy, 2001.

The chief counsel needs to really listen to the entire small business community: associations, academics, government officials, and most importantly, to small business owners and their employees.

cially Advocacy, does, he became quite proud of my work here.

I think of him a lot as I do this job. Because I realize that if the small business community doesn't know what we are doing for them, it's almost as if our efforts don't exist. And, if we don't know the needs and concerns of the community, we won't be effective advocates on their behalf. So, two-way communication has been, is, and will be, the key to our success.

I've also learned that no one person, and no one group, can do it all.

There is a cadre of strong leadership in the small business community, and relying on that leadership is the best way to influence public policy and public opinion.

This lesson is one of the many things I learned from Milt Stewart. He set the bar high, gave people the responsibility to meet the challenge, and set them loose to achieve the goal. We accomplished a lot that way, and I try to work the same way now with my staff.

People perform better when they are given the chance to take on real responsibility, and I think that is why the Advocacy staff has always been so effective.

Advice for the Next Chief Counsel. My 25 years at SBA have given me some perspective. I've seen our successes, and I've seen our failures. There is a lot to be learned from all of that, but three things stand out.

First, the chief counsel needs to really listen to the entire small business community: associations, academics, government officials, and most importantly, to small business owners and their employees. The next chief counsel must make it a point to visit small businesses across America.

Second, the chief counsel should rely on the Advocacy staff. It is the best there is: motivated, qualified, and professional.

Third, the chief counsel should believe in the job and believe in small business.

A final word of advice: Enjoy!

Four Chief Counsels Reflect on 25 Years Fighting for Small Business

Chief Counsels, from page 1

you're in complete control of your goals and objectives. Being in small business gives you a feeling of independence, pride, and achievement. It really makes you feel like you're part of that engine that drives the economy.

Jere Glover: Small business is special because it's what makes America work. In good times and in bad, small business is what makes things happen. In every economic downturn, small business is what's pulled us out, and quite frankly, small business has softened the impact of past economic downturns. Job creation, innovation, productivity, and efficiency—all of these things tend to flow from a vibrant small business community.

It's probably safe to assume that, as a former chief counsel for advocacy, you believe the Office of Advocacy has an important mission. What do you see as the top reason for its existence?

Milt Stewart: The top reason is to set out the unmet needs of small business. We made three specific efforts to spell out Advocacy's policy-related missions.

- The chief counsel named a National Task Force on Small Business and Innovation to spell out the advocacy mission requirements of small business as seen by 35 experienced venture capitalists and entrepreneurs. The task force's final report (July 1979) represented a helpful initial statement.

- We convened a national conference of state officials with economic development experience to express their views of priority needs.

- The first White House Conference on Small Business authorized by President Carter

brought together 2,000 small business delegates to review alternative policy recommendations.

These three efforts set out the priority policy concerns of the Office of Advocacy.

Frank Swain: The central reason is the same now as it was 25 years ago: small business is extremely important to the economic, political, and social fabric of the country. It is too often underrepresented in the corridors of government decision-making, and it's very appropri-

the adverse impact of proposed legislation and regulation in these two areas. The Office of Advocacy helps ease the burdens on small business and present their views.

Jere Glover: The top reason for the office's existence is to provide accurate and reliable information, data, and research. Decision-makers may differ about the conclusions, but the Office of Advocacy's critical function is to let them have the right information so they can make informed decisions.



Regional advocates with Chief Counsel Tom Kerester, 1992.

ate for government to have an in-house voice for small business. SBA programs such as the small business lending programs are important, but they require a lot of time and management. So it's smart to have the policy and regulatory issues analyzed in a specific office, such as Advocacy.

Tom Kerester: The chief counsel serves as the eyes, ears, and voice of small business in two areas: Congress and the federal departments and agencies. Small businesses have neither the expertise, the time, nor the money to present

What was the most significant achievement of the Office of Advocacy during your tenure?

Milt Stewart: The Small Business Innovation Development Act, enacted in 1982. Although it was not enacted until after my term of office, it was a direct result of the work done during my term. There were other significant achievements, but this was the most important, by far.

Frank Swain: Two general things and one specific thing.

- We really established a very

strong presence as small business's voice in government. When I came in, there was a very new law that hadn't been fleshed out—the Regulatory Flexibility Act. Over the eight years I served as chief counsel, we filed about 400 comments, about one per week. So the office really became known for regulatory and legislative activity.

- I'm very proud of the fact that in the 1980s we became very well known as a center of expertise on health care issues and small business. We were the first group to oppose mandated health benefits for small business. We were so active on health care issues that I was named to the President's Commission on Long-Term Care in 1987. This was a recognition that the small business side needed to be included and that we'd established ourselves as the voice for it inside government.

- One specific accomplishment was the initiation of the *President's Report on the State of Small Business* in 1982. We started out small and made it into a very big deal.

Tom Kerester: I was only in a short time. My most significant achievement, which was strongly supported by Dale Bumpers, the chair of the Small Business Committee at the time, was to go beyond the Beltway and acquaint small business with the significant, crucial role of the Office of Advocacy. I was on the road five or six days a week. I never had the chance to testify before Congress but I did testify before a joint session of the Utah legislature.

Jere Glover: The 1995 White House Conference on Small Business and the Small Business Regulatory Fairness Act (SBREFA).

- The White House conferences

historically provide a new generation of small business leaders. The Office of Advocacy was critical in the White House conference, and even more so in the implementation phase. Over 90 percent of the recommendations had actions taken on them, and the conference sensitized the entire government to small business issues. As a result, every single agency identified things they could do for small business, and we helped make sure they followed through. Many of the recommenda-



Jere Glover, chief counsel for Advocacy from 1994 to 2001.

tions ended up in legislative changes that will forever change the way government deals with small business.

- The proof of SBREFA's effectiveness was \$3 billion in quantified savings for small business from regulatory changes. To quantify the efficiency of the agency in a regulatory manner was a huge undertaking, and to do it in a credible way was a real credit to the employees of the Office of Advocacy. Changing the culture of the government is something that only occurs in the rarest of circumstances. I take a good deal of pride

in that. This doesn't mean we've finished the job though.

Where do you hope to see the Office of Advocacy in 5 to 10 years?

Milt Stewart: The highest priority Advocacy program for the next five to 10 years will be contributing to the nation's response to the September 11, 2001, terrorist attack on the nation. The extreme wing of the Muslim effort must be met with an ideological challenge to terrorism. Small business will have its role to play in achieving the indispensable victory over terrorism and extremism. Before that, small business will still need the Office of Advocacy as the spokesman for small business's public policy needs to foster its unhampered growth.

Frank Swain: I'd simply say that Advocacy has more specific responsibilities now, especially with SBREFA. But it's important that Advocacy stay lean and on the cutting edge of issues and developments in small business and that it resist the temptation to become too bureaucratized.

Tom Kerester: I think we have to give more authority to the chief counsel to impact the proposed rules and regulations at the federal level. So when the chief counsel speaks, departments will listen. One thing that would help do that is to give more public recognition to the chief counsel, elevating the stature of the office.

Jere Glover: Still in existence! And that it will become a significant player in regulatory and economic policy in both the legislative and executive branches.

Regulation in an Age of Entrepreneurship

by Kathryn J. Tobias, Senior Editor

Why is the U.S. economy the most dynamic in the world? Its dynamism, researchers agree, springs from the organic creativity and rapid growth of American small businesses, rooted in a free society. Nothing seems impossible in a culture that allows for constant experimentation and change. As one business owner told his employees, “Love our customers, love our values, but don’t love our structure, because it’s going to change every year.” (So Thomas Petzinger, Jr., reported in his book, *The New Pioneers*.)

Yet this culture of creativity and flexibility poses a paradox for a free society and for policymakers, namely, how do you encourage organic small business growth while regulating to protect important societal, environmental, and economic assets? The first regulatory agency in the United States was created in an era of top-down corporate management; if the government wanted something done, they told the business community exactly what to do, how and when. And that was that.

Now we live in an era where innovation and change emerge from the bottom up. One-size-fits-all regulations just don’t work anymore. Some regulation of business behavior is needed, but regulations also come down hardest on the smallest entities. When a sole proprietor devotes a morning to filling out paperwork, licenses, and other red tape, the firm’s productivity suffers. And paperwork is just the tip of the iceberg when it comes to regulations’ effects on small business. Too many heavy rules can put the brakes on small business creativity and economic growth.

Advocacy’s Charge: Cutting Excess Regulation. In 1976, Congress gave the Office of Advocacy the responsibility to

“measure the direct costs and other effects of federal regulation on small businesses; and make proposals for eliminating excessive or unnecessary regulation of small businesses.”

But trimming unnecessary regulation did not happen easily. By 1980, at the convening of the first White House Conference on Small Business, the need for small business participation in the regulatory process was still pressing. Among the conference’s top five recommendations was the call for economic impact analysis of newly proposed federal regulations.

The RFA—The First Tool. The White House Conference recommendation was a catalyst in the passage of the Regulatory Flexibility Act (RFA) in 1980. The RFA directed agencies to analyze the impact of their regulatory actions on small entities.

And the Office of Advocacy was charged to monitor agency compliance with the new law. Over the next 15 years, the office carried out this mandate, reporting annually on agency compliance to the president and the Congress. But Advocacy analysts recognized early on that there was almost nothing in the law’s enforcement provisions to prevent an agency from being sloppy in its compliance, or even outright ignoring the law.

Delegates to the 1986 White House Conference on Small Business thought the RFA should be strengthened by, among other things, requiring recalcitrant agencies to comply with its provisions and subjecting federal agencies’ failure to comply with the RFA to judicial review. But another decade would go by before the delegates’ recommendation bore fruit.

In preparation for the 1995 White House Conference on Small Business, the Office of Advocacy assembled leading thinkers on

small business topics in a series of 15 focus groups. All 15 cited regulatory burdens as a top barrier to entry for small businesses. The 1995 conference asked for specific legal provisions to give small firms a voice in the rulemaking process. The conference aftermath was unique: it included a concerted follow-up process to see to the implementation of its recommendations. As a result, the conference had a phenomenally high success rate: policymakers addressed more than 90 percent of its recommendations!

SBREFA—The RFA Gets

Teeth. The regulatory reform recommendation was among the first. President Clinton signed the Small Business Regulatory Enforcement Fairness Act (SBREFA), on March 29, 1996. The new law gave the courts jurisdiction to review agency compliance with the RFA. It also required review panels to include small entities early in the process of drafting certain regulations. And it reaffirmed the chief counsel for advocacy’s authority to file friend of the court briefs in suits brought by small entities in response to an agency final regulatory action.

In 2000, on the 20th anniversary of the RFA, the Office of Advocacy reported that agency compliance was improving and that the RFA and SBREFA had saved small businesses some \$20.6 billion in new regulatory costs over the 1998-2000 period.

Creative Entrepreneurs Take on Old Rules. Meanwhile, entrepreneurial businesses are themselves developing creative ways to solve problems that rely less than ever on the top-down models of the past. For example, Petzinger notes, the Voluntary Hospitals of America is using principles called “min specs”—minimum critical specifications—and “self-organization” to

Continued on page 7

Economic News

Minority Business, Earnings Studies Released in October

Two economic studies will be released on Oct. 23, 2001, when the Office of Advocacy commemorates its 25th anniversary.

Minorities in Business, 2001, by Dr. Ying Lowrey, senior economist with Advocacy's Office of Economic Research, utilizes several sources from the U.S. Census Bureau, including the Current Population Survey and the Survey of Minority-Owned Business Enterprises (SMOBE). The study provides a comprehensive portrait of minority-owned businesses in the United States (see Table).

The Census Bureau's classification of firms by owners' demographic group varies between 1982 and 1997, making it difficult to compare data over time, Lowrey's

study makes adjustments to the SMOBE data to enable a comparison. Her study shows that the share of minority-owned firms rose from 6.84 percent in 1982 to 15.12 percent in 1997.

A second study to be released on Oct. 23, *Earnings Growth among Disadvantaged Business Owners*, was conducted by Robert Fairlee of the University of California at Santa Cruz. This study was funded by the Office of Advocacy. Fairlee studies the earnings histories of less educated and minority men and women using the 1979 National Longitudinal Survey of Youth (NLSY). Using annual data spanning 1979 through 1998, Fairlee finds that less-educated self-employed young men and women

tend to make more money than their wage-and-salary sector counterparts, other things being equal. He also finds that earnings growth is initially slower among self-employed men and women, but over time, it surpasses the earnings growth of wage-and-salary earners.

For More Information

Advocacy's senior economist, Dr. Ying Lowrey, can be reached at (202) 205-6947, or by e-mail at ying.lowrey@sba.gov. Both reports are available on the Advocacy website at www.sba.gov/advo. Paper and microfiche copies of all Advocacy reports are also available for purchase from the National Technical Information Service at (800) 553-6847 or through the NTIS website at www.ntis.gov.

U.S. Firms by Ownership Category, 1997

	All Firms	Firms with Employees	Number of Employees	Total Payroll (\$million)
Number of Firms				
Total U.S. Firms	20,821,934	5,295,151	103,359,815	2,936,493
Non-Minority-Owned	17,782,901	4,679,929	98,845,116	2,840,964
All Minority-Owned	3,039,033	615,222	4,514,699	95,529
Black-Owned	823,499	93,235	718,341	14,322
Hispanic-Owned	1,199,896	211,885	1,388,746	29,830
Native American-Owned	197,300	33,277	298,661	6,624
Asian-Owned	912,959	290,000	2,203,080	46,179
Share of Total U.S. Firms (Percent)*				
Non-Minority-Owned	85.40	88.38	95.63	96.75
Minority-Owned	14.60	11.62	4.37	3.25
Share of Total Minority-Owned Firms (Percent)*				
Black-Owned	27.10	15.15	15.91	14.99
Hispanic-Owned	39.48	34.44	30.76	31.23
Native American-Owned	6.49	5.41	6.62	6.93
Asian-Owned	30.04	47.14	48.40	48.34

* Percent shares may not total 100 because of duplication of some firms. Hispanics may be of any race, and therefore, may be included in more than one minority group.

Source: U.S. Department of Commerce, Bureau of the Census: Survey of Minority Owned Business Enterprises, 1997.

Regulation, from page 6

respond to problems in the health care system. More often than not, Petzinger observes, their solutions entail eradicating rules rather than creating new ones.

What of the future? Studies conducted for the Office of Advocacy find that the cost to business of government regulation continues to rise. Striking a balance between rules that protect such assets as the health of workers and the environment, while minimizing burdens imposed on fragile, often experimental, small businesses—must remain one of government's high priorities for the foreseeable future.

Nominees Sought for 2002 Small Business Week Awards

National Small Business Week 2002 is tentatively scheduled for May 5-11, 2002. The highlight of the week is the presentation of awards spotlighting the outstanding contributions of small business persons and advocates at the district, state, and national levels. SBA needs your help to obtain a large pool of qualified nominations from which to select the Small Business Award winners. ***Nominations close Nov. 9, 2001.***

The complete nomination guidelines can be found at www.sba.gov/opc/pubs/nominations2002.pdf.

To Submit Nominations

Nominations must be submitted to the nearest U.S. Small Business Administration district office in your state or territory. All nominations must be post-marked or hand delivered no later than Nov. 9, 2001.

Award Categories

Small Business Advocate Awards

- Accountant Advocate of the Year
- Entrepreneurial Success
- Financial Services Advocate of the Year
- Home-Based Business Advocate of the Year
- Minority Small Business Advocate of the Year
- Small Business Exporter of the Year
- Small Business Journalist of the Year
- Veteran Small Business Advocate of the Year
- Women in Business Advocate of the Year
- Young Entrepreneur of the Year

Small Business Person Awards

- Small Business Person of the Year

Phoenix Awards

- Small Business Disaster Recovery
- Outstanding Contributions to Disaster Recovery

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