

Economic Trends

BY GENE KORETZ

TINY EMPLOYERS WEIGH SOME BIG HIRING PLANS

When Dun & Bradstreet Corp. reported a year ago that its annual survey of 5,000 U.S. businesses indicated the nation would add 1.9 million jobs in 1992, the number seemed wildly optimistic. As it happens, payroll job growth late in the year proved unexpectedly robust, with the Labor Dept.'s monthly canvass of households showing job gains of 1.6 million. "We were closer to the mark than many experts expected," says D&B economist Joseph W. Duncan.

D&B's recently released 1993 survey is even more bullish—projecting a net increase of some 2.1 million jobs. Since employment growth so far in 1993 is running above that pace, Duncan thinks "job gains this year could well exceed our projections by a healthy margin."

The survey's most striking result concerns businesses with fewer than 20 workers. Such tiny outfits account for 57% of this year's expected job growth,

lar pattern. Economist David Birch of Cognetics Inc., an economics research firm, reports that jobs in companies with more than 5,000 employees shrank by 2.4 million during this period, while employment soared by 4.4 million in outfits with fewer than 20 workers, and by another 1.4 million in businesses with 20 to 99 workers.

The Cognetics study also indicates that smaller companies with fewer than 100 workers added more relatively high-wage jobs (those within the upper third of the wage spectrum) than low-wage jobs (those within the lower third).

Such findings, says Birch, "believe the notion that small companies create only low-paying jobs and that we are becoming a nation of hamburger flippers."

EUROPE'S WORK FORCE ISN'T MOVING WITH THE MONEY

Economists at Oxford Economic Forecasting Ltd. have resurrected the term "Eurosclerosis" to characterize Europe's current economic woes. They argue that even a sharp drop in interest rates in Germany and other members of the exchange-rate mechanism (ERM) is unlikely to reduce the high unemployment now endemic on the Continent.

The reason is not simply excessive European factory wages, which in dollar terms now often exceed pay scales in both the U.S. and Japan. Exacerbating the wage cost problem is labor inflexibility, as exemplified by the lack of worker mobility. Whereas both U.S. and Japanese workers tend to move to areas where jobs are available, Europeans are far more likely to stay put, even within their own national boundaries.

In 1987, for example, 2.8% of the U.S. population and 2.6% of Japanese moved to other regions within their nations, according to the consulting firm. By contrast, the percentage moving within Italy, Germany, England, and France ranged from 0.5% to 1.3%. While cultural factors play a part in inhibiting mobility, so does the high cost of acquiring a new residence. Oxford analysts calculate that the total cost of buying and selling a house, including taxes, legal fees, and brokerage commissions, averages about 13.5% of the selling price in Western Europe, compared with 9% in the U.S. and only 5% in Japan.

Unfortunately, while European labor is still relatively inflexible, European business is not. At a time of increasing capital mobility, says the consulting firm, impediments to labor mobility can only worsen the problem of unemployment.

PLUCKING THE RICH MAY CLIP THE WINGS OF SMALL ENTREPRENEURS

President Clinton's proposed tax hike on high-income individuals won't enhance the job-creating role of small business, warns economist David D. Hale of Kemper Securities Inc. He notes that 20% to 25% of high-income taxpayers' earnings come from small businesses.

Taxpayers with incomes of more than \$200,000 in 1990, for example, garnered \$69.3 billion in income from small businesses organized under Subchapter S of the tax code and an additional \$25.5 billion in professional and unincorporated business income listed in Schedule C of income tax forms. Such business income far exceeds the same group's receipts of \$25.5 billion and \$39.3 billion in the form of dividends and taxable interest.

"Despite populist myths," says Hale, "high-income Americans are not mere coupon clippers." Many are active entrepreneurs whose wings will be clipped by what may be the biggest marginal income tax rate hike since the early '30s.

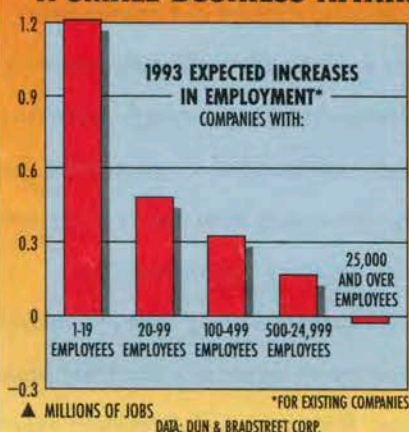
BUSINESS IS GETTING MORE BANG FOR THE DEPRECIATION BUCK

Back in the early 1980s, U.S. businesses reaped a cash-flow bonanza after the 1981 tax act introduced accelerated depreciation. The new schedules allowed companies to depreciate their capital equipment faster than the service lives of such machinery, and the resulting cash surge touched off an investment boom when the economy turned up after the 1981-82 recession. But the game stopped when the 1986 tax reform act eliminated accelerated depreciation.

Now, however, a similar trend is emerging. The Commerce Dept. reports that depreciation allowances in the first quarter exceeded the cost of replacing actual wear and tear of equipment by some \$50 billion at an annual rate. The reason, explains economist Bruce Steinberg of Merrill Lynch & Co., is that equipment currently in use cost a lot more than new equipment now available, as the prices of computers and other technology have plunged by nearly 10% over the past year.

In sum, companies are finding they can use their depreciation allowances to buy more equipment than before. And that's a big reason why capital spending continues to lead the economy.

JOB GAINS THIS YEAR: A SMALL-BUSINESS AFFAIR



with another 23% projected by companies with 20 to 99 employees (chart).

Meanwhile, the wave of downsizing in the nation's largest companies is continuing. Only 12% of companies with 25,000 or more employees expect to add jobs, while 36% anticipate layoffs. Although the net loss expected by these giants is small, Duncan notes that in recent years they have tended to shed far more workers than projected.

A new study of job gains from 1987 through the end of 1991—a period spanning the last business cycle peak, the recession, and the first three quarters of the current recovery—highlights a simi-

Business Outlook

JUNE 21, 1993

BY JAMES C. COOPER AND KATHLEEN MADIGAN

SUDDENLY, THE JOB ENGINE IS PURRING

If you still think the economy is jobless and recession-prone, it's time to wake up and smell the data. The invigorating aroma of the May employment report alone ought to be enough to change your mind.

U.S. businesses added 209,000 workers to their payrolls in May, following a 216,000 increase in April. The economy hasn't posted back-to-back job gains of that size in more than three years. The unemployment rate dipped from 7% in April to 6.9% in May, the lowest in a year and half. And the workweek jumped from 34.4 hours to 34.8 hours, the longest in four years.

Still skeptical? Consider this: The Labor Dept.'s annual revisions show that the economy generated 336,000 more jobs from April, 1992, to February, 1993, than previously reported (chart). In the aggregate, payroll employment has now recovered all of its recession losses.

The job data force a sea change of attitudes about prospects for economic growth

in the second quarter—and beyond. After a dismal 0.9% advance in first-quarter real gross domestic product, the April and May gains in employment and the workweek are consistent with real GDP growth of at least 3%.

In fact, so far in 1993, job gains are averaging 182,000 a month, up substantially from 104,000 a month during the second half of 1992. Although job growth remains below that of a typical expansion, it is strong enough to suggest that the economy is able to sustain a 3% growth trend through yearend (page 124).

INCOMES ARE UP, AND SO IS SPENDING

That's mainly because the job numbers are especially encouraging for consumer spending—some two-thirds of GDP. More jobs and hours mean that household incomes are growing much faster than previously thought and that savings are much higher. That explains why consumers have been increasingly willing to take on more installment debt in recent months.

Add in the drop in long-term interest rates last winter, which will continue to bolster the economy in the coming months, and it is easy to be upbeat about prospects for sales of homes, cars, and big-ticket consumer items generally. Already, April home buying surged by 22.7% to the highest level in seven years, and sales of automobiles and light trucks cruised into May at an annual rate of 12.1

million, the strongest pace in more than three years.

The most compelling sign that the economy is a lot sturdier than the weather-beaten first-quarter data had suggested comes from the second-quarter surge in aggregate hours worked. That's the combined measure of jobs and the workweek, which is a good—but not perfect—indicator of real GDP growth. Through May, overall work time was rising at an annual rate of 4.6% from the first-quarter level (chart). If sustained, that would be the largest quarterly increase in nine years.

The biggest job gainers in May were construction and services. Builders took on 67,000 new hires in May, the most in any month in nearly 3½ years. More jobs seem likely this summer as home construction warms up with the weather.

Within the service-producing sector, the services industry added on 126,000 new workers in May. So far this year, services

have contributed 60% of the growth in nonfarm employment, although they are only one-quarter of the total. The bulk of the new slots have come from business, health, and personal services. Some argue that these are low-wage, dead-end jobs, but in May the average hourly wage in services stood at \$10.81, not much below \$11.72 in manufacturing.

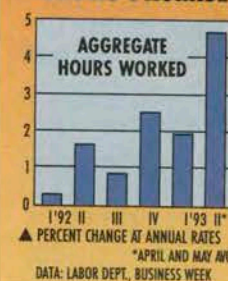
FACTORIES MAY START HIRING BY SUMMER

The only downer in the May employment report was continued evidence that manufacturers are still loath to expand their payrolls. Indeed, factories shed 39,000 workers last month on top of the 75,000 they let go in April and the 19,000 released in March. Manufacturers are the victims of two long-term trends: defense cuts and rising import penetration.

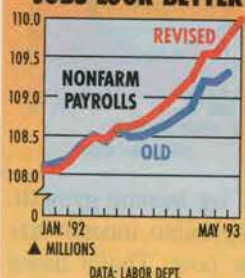
And in the short run, a mini-inventory correction is also depressing orders and output. The ratio of factory inventories to shipments jumped to 1.49 in April from 1.46 in March, mainly reflecting a 1.5% drop in shipments. Factory demand softened at the beginning of the second quarter, because many retail goods went unsold during the winter storms in March.

However, the outlook for both manufacturing output and employment this summer looks brighter. Despite the recent job losses, the manufacturing workweek in May remained at 41.5 hours—a 26-year high. Factory overtime

SPRINGTIME GROWTH SHOWS PROMISE



ON SECOND LOOK, JOBS LOOK BETTER



Business Outlook

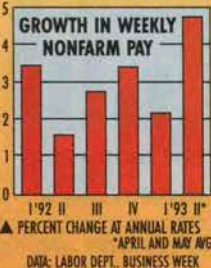
held at 4.2 hours—a postwar record. With consumer demand bouncing back at a time when existing employees already are working full tilt, manufacturers may have no choice but to add to their payrolls.

That's especially true in the auto industry. Carmakers have accounted for one-quarter of the 133,000 manufacturing jobs lost since February. But with sales humming and Detroit heading into the third quarter with an ambitious production schedule, many of those laid-off workers are likely to be called back.

HOUSEHOLD FINANCES LOOK BETTER

In addition to the refreshing redolence of more jobs, consumers are also inhaling the sweet smell of extra cash. The recent upturn in hourly and weekly pay is giving households the wherewithal to keep spending (chart). In addition, better income growth, along with the flood of mortgage refinancings over the past 1½ years, has improved the financial footing of many consumers.

MORE MONEY IN WORKERS' WALLETS



The average hourly wage in the nonfarm sector increased by 0.6% in May, to \$10.83. Since hitting bottom in mid-1992, wage growth is definitely on an upward trajectory. Hourly pay has risen by 2.8% over the past 12 months, compared with a 2.3% advance in the preceding year.

But while the pickup in pay is putting more money in consumers' pockets, it shouldn't

touch off any inflation alarms. That's because gains in productivity are offsetting some of the increase in wages. As long as unit labor costs remain low—and businesses' drive to increase efficiency makes that seem likely—then a slight pickup in wage growth will result in little, if any, cost-push pressure on inflation.

The increase in hourly pay, coupled with the longer

workweek, caused a huge 1.7% jump in the average weekly paycheck. Weekly earnings are rising at an annual rate of 4.7% so far in the second quarter—the fastest quarterly pace in two years. Stronger income growth is a big reason why real consumer spending is on track to grow at a healthy clip of about 3% this quarter, following its disappointing 1.2% pace in the first period.

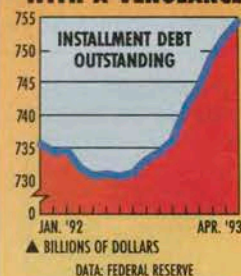
The better income picture also explains why consumers are once again pulling out their plastic and saying "charge it." After being taboo for two years, borrowing is in vogue again. Consumer installment debt grew by a large \$2.3 billion in April, after an even stronger \$3 billion gain in March. Revolving debt, which includes credit cards, is leading the new borrowing binge.

Installment debt had dipped to a two-year low last August as economic uncertainties, mainly job worries, caused consumers to put away their credit cards and postpone purchases of big-ticket items. Since then, though, credit outstanding has ballooned by some \$23.5 billion, to \$754 billion (chart).

Will all this new debt sour the outlook? No. The increase in borrowing has been more than matched by income growth. Installment debt as a percent of disposable income has stayed at 16.3% to 16.5% for a year now. That's down sharply from the ratio's peak of 18.8% in 1989, and it suggests that heavy debt is less of a squeeze on household budgets.

With the upturn into its third year, consumers and businesses clearly need some energized data to shake away the perception that this economy is flagging. The latest readings from the labor markets should provide that necessary jolt. In the world of economic brews, the May employment report was anything but decaf.

CREDIT COMES BACK WITH A VENGEANCE



THE WEEK AHEAD

BUSINESS INVENTORIES

Monday, June 14, 10 a.m.

Inventories held by manufacturers, retailers, and wholesalers probably rose by 0.2% in April, after a 0.8% jump in March, according to the median forecast of economists polled by McGraw-Hill Inc.'s MMS International. However, the April surge in retail sales suggests that store inventories may have been cleared out a bit in April. If so, total business inventories may have been unchanged for the month.

CONSUMER PRICE INDEX

Tuesday, June 15, 8:30 a.m.

The MMS forecast is that the consumer price index in May increased by 0.2%

for all items and when food and energy are excluded. That would follow troubling 0.4% jumps in each of the price indexes in April. The modest advance projected for May suggests a reprieve from any monetary tightening by the inflation-wary Federal Reserve. Another jump in the CPI of 0.4%, however, would make a Fed move all but inevitable.

HOUSING STARTS

Wednesday, June 16, 8:30 a.m.

Housing starts probably rose to an annual rate of 1.26 million in May, from 1.21 million in April. A strong 22.7% advance in new-home sales in April, plus better weather, likely boosted homebuilding last month. Housing should continue on an uptrend this summer.

INDUSTRIAL PRODUCTION

Wednesday, June 16, 9:15 a.m.

Industrial output likely edged up by just 0.1% in May, the same weak gain as in April. Operating rates for all industry in May probably remained at April's 81.4%.

MERCHANDISE TRADE DEFICIT

Thursday, June 17, 8:30 a.m.

The foreign trade deficit probably fell back to \$8.7 billion in April, forecast the MMS economists. That would be an improvement from March's disastrous widening of the deficit to \$10.2 billion from February's \$7.9 billion. Exports, which increased 5.7% in March, probably rose again in April, while imports, which jumped 9.8% in March, were flat.

June 18, 1993

M E M O R A N D U M

TO: SENATOR DOLE
FROM: NINA OVIEDO
SUBJECT: SMALL BUSINESS - FYI

For your reading pleasure attached are two documents from the SBA. First, a data document on Kansas and their description on "the number of small business."

The Number of Small Businesses

How many small businesses were there in the United States in 1991? There is no easy answer to this question. The definition of small business varies considerably, depending on the circumstances and measures used. The size of a business can be measured by its employment, business receipts, or the value of business assets. The SBA's Office of Advocacy generally uses employment data as a basis for size comparisons, with firms having fewer than 100 or fewer than 500 employees defined as small.⁸

The appropriate definition of small business may depend on the policy issue or question being analyzed, or the industry being studied. Small businesses may appropriately be defined as those having fewer than 100 employees in a discussion of retail stores because most retail establishments have few employees and most retail firms (enterprises) have few establishments.⁹ The average entity in the industry, whether establishment or enterprise, is small, and that smallness is captured within the under-100-employee size limit. In some industries, such as automobile manufacturing, the typical establishment may be much larger than 100

⁸A more detailed employment breakdown also used is as follows: under 20 employees, very small; 20-99, small; 100-499, medium-sized; and over 500, large. Governments in other countries use similar definitions, but details vary by industry. Standard asset and receipt-size classes, published by the Office of Management and Budget on May 18, 1982, are found in the *Code of Federal Regulations* at 13 CFR Part 121. Employment or average sales receipts over a period of years are the bases for these size determinations, used for federal program purposes. Comparisons over time of businesses measured by receipts or assets must take into account the effects of inflation, and be adjusted accordingly.

⁹One source of confusion about the number of businesses stems from the failure to distinguish between enterprises (firms, businesses) and establishments (branches, places of business). An establishment is defined as any single physical location where business is conducted. An enterprise is a business organization consisting of one or more establishments under the same ownership or control. Most small businesses consist of a single establishment. However, a large firm may own many small establishments; these establishments should not be confused with small firms. Data on the number of establishments, related employment, and payrolls, are published annually by county (and by state and industry) in *County Business Patterns*, a publication of the Bureau of the Census. The Census Bureau also publishes data on the number of enterprises every 5 years, for years ending in 2 or 7, in *Enterprise Statistics*. Enterprise data for 1987 were published in October 1991.

employees. In such an instance, a definition of small business as one having fewer than 500 employees accurately captures the fact that a firm with 300 or 400 employees may be small relative to the industry average.

Many people implicitly define a business as an organization having one or more employees. But more than half of all businesses have no employees other than the owner (who may or may not be counted as an employee, depending on the federal agency doing the counting), and many business owners work only part-time at their businesses.¹⁰ The definitional issues concerning these business owners are even more confused when they are identified as "self-employed," referring to their economic status rather than their business or legal status.¹¹

Statistics published by the Internal Revenue Service provide the broadest measure of nonfarm businesses in the United States. The estimated 20.5 million business tax returns filed in 1991 were for an estimated 4.5 million corporations, 1.7 million partnerships, and 14.3 million sole proprietorships (Table 1.1). Most of these firms were very small. In fact, fewer than 7,000 would qualify as large businesses if an employment cutoff of 500 employees is used to define small and medium-sized businesses.¹² Thus, one answer to the question, "How many small businesses are there?" is 20.5 million. Generally the number of tax returns filed increased rapidly during the 1980s, but at a slower pace during the last few years.

These tax return data cover all reported business activity, however, including millions of part-time,

¹⁰There is no definitive way to count the number of small businesses without employees. One approximation is the number of business tax returns for nonfarm sole proprietorships with less than \$10,000 in receipts. In 1986, about 6.3 million nonfarm sole proprietorships (over 51 percent) were in this category. See U.S. Department of the Treasury, Internal Revenue Service, *Statistics of Income Bulletin* (Winter, 1988-1989).

¹¹For an extended discussion of self-employment as a small business phenomenon, see "Self-Employment as Small Business," *The State of Small Business: A Report of the President* (Washington, D.C.: U.S. Government Printing Office, 1986), 105-149.

¹²There are actually more than 7,000 firms with more than 500 employees, but many of these "firms" are not independent. They are actually subsidiaries of larger firms. See Table A.12 for a breakdown of income tax returns by receipt size of business. The most recent year for which receipts data are available is 1989.

P03

1.1 Nonfarm Businesses

Year	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Total
Nonfarm businesses	5,693	5,576	5,506	5,391	5,210	5,124	4,997	4,829	4,742	4,668	5,693	56,930
Successor firms	142	155	153	164	175	166	164	171	185	NA	142	1,420
New firms	734	744	733	748	724	715	691	633	596	NA	734	7,340
Terminations	822	828	886	912	900	881	855	804	781	NA	822	8,220
Sum: New and Successors	876	898	886	912	900	881	855	804	781	NA	876	8,760

Source: U.S. Department of Labor, Employment and Training Administration, "Statistics of Nonfarm Businesses," Bureau of Economic Analysis, (Spring 1991), Table 1.1.

"hobby" businesses. In contrast, data based on unemployment insurance (UI) information provided to the Employment and Training Administration (ETA), U.S. Department of Labor, portray full-time businesses with employees (Table 1.2).¹³ These data indicate that there were 5.69 million such businesses in 1991. Again, most of these businesses are small.

Business Startups

Counts of business startups in this report are based on two data series: (1) the number of new businesses incorporated and registered with the secretaries of state of the various states; and (2) the number of new businesses reported to the ETA as either new businesses or

¹³The state employment service data are available on an annual basis. The data refer not to firms, but to "firms reporting within states." A large firm with establishments in each of the 50 states would report as a firm in each state. If this large business were to close its doors, each of the states would declare the loss of one firm, for a total loss of 50 firms. Clearly, this type of counting will overcount the number of businesses, since every business operating in more than one state will be counted more than once. The errors introduced by this method of counting are not large, however, relative to the large number of businesses that operate within a single state. The overcounting also has minimal impact on the new busi-

Change in the Number of U.S. Businesses with Employees, 1981-1991 (Thousands)

Year	Firms at End of Year	Successor Firms	New Firms	Sum: New and Successors	Terminations
1991*	5,693	142	734	876	822
1990*	5,639	150	786	936	832
1990	5,664	146	773	919	830
1989	5,576	155	744	898	828
1988	5,506	153	733	886	768
1987	5,391	164	748	912	731
1986	5,210	175	724	900	814
1985	5,124	166	715	881	754
1984	4,997	164	691	855	687
1983	4,829	171	633	804	717
1982	4,742	185	596	781	707
1981	4,668	NA	NA	NA	NA

NA=Data not available.

*First three quarters only expressed at annual rates.

Note: Successors are existing firms taken over by new or existing firms; new firms represent applications for new account numbers; and terminations represent firms that either reported being out of business or reported no employment for two years. Each quarter, firms with employees are required to report their employment, payrolls, and unemployment insurance tax liabilities to state employment services. The states in turn report the number of new firms, terminations, and successors to the U.S. Department of Labor. These statistics from the Employment and Training Administration are organized into a master file that begins in third quarter, 1981. Data in this period are available from all states except Michigan, for which a 3 1/2-year period beginning in 1985 was estimated from previous data. Current data are available six months following the end of the quarter. The count of firms includes all active unemployment insurance taxpayers, including local, state, federal, and international governmental agencies. It includes virtually all nonfarm employers, except households, railroads, and selected religious organizations. Multistate employers submit reports to each state in which they operate; therefore, the enterprise count includes some duplication, but because multistate firms are relatively few in number, the count of firms in the U.S. is not significantly affected. The change in the number of firms from one period to the next represents the addition of new and successor firms less the number of terminations during the period; however, because of changes in counting rules, computer procedures, and other problems, the computed changes are sometimes at variance with the reported data. In these few cases the data are edited so that they are internally consistent.

Source: U.S. Department of Labor, Employment and Training Administration, prepared for the Office of Advocacy, U.S. Small Business Administration, 1990.

ness and business termination categories. New businesses are almost always small businesses operating in only one location. The larger the business, generally speaking, the less the probability that the firm will close down in any time period. Therefore, most closings will be small business closings, and counts should be relatively accurate.

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U.S. Small Business Administration
Office of Advocacy

1992 Small Business Profile

Kansas

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Introduction

Each year the Office of Economic Research of the U.S. Small Business Administration's Office of Advocacy compiles and publishes the latest small business information for each state. The *1992 Small Business Profile* that follows provides an excellent overview of the important role of small business by state. Included are data on the composition of the state's small business sector, job creation, business formation and dissolution, and small business income. In addition, we have included information recently available on the growth of minority- and women-owned businesses in the state.

I am certain that you will find the *1992 Small Business Profiles* provide a wealth of useful information.



Thomas P. Kerester
Chief Counsel for Advocacy
U.S. Small Business Administration

November 1992

The *1992 Small Business Profiles* were produced by the U.S. Small Business Administration's Office of Advocacy under the general supervision of Julie R. Weeks, deputy chief counsel for statistics and research. The Data Base Branch of the Office of Economic Research, under the supervision of Bruce D. Phillips, was responsible for the content of the profiles. Important contributions were made by Richard Boden, Raymond Rawlinson, and Supriya Kutty of the Data Base Branch. Questions or comments on the content of the profiles may be addressed to: Office of Economic Research, Mail Code 3112, U.S. Small Business Administration, Washington, DC 20416. Telephone (202) 205-6530.

Kansas: An Overview

Population

The population of Kansas rose from 2.36 million in 1980 to 2.48 million in 1990, an increase of 4.8 percent. The U.S. population rose by 9.8 percent during this period, from 226.5 million to 248.7 million.

Employment

Total employment in Kansas rose from 1.10 million workers in December 1990 to 1.11 million workers in December 1991, an increase of 1.1 percent. Nationally, 110.3 million workers were employed as of December 1991, a decrease of 1.3 percent from the 111.7 million workers employed in December 1990.

Unemployment

Total unemployment in Kansas fell from 60,722 in December 1990 to 50,250 in December 1991, a decrease of 17.2 percent. Nationally, total unemployment rose from 7.3 million to 8.5 million between December 1990 and December 1991, a 16.9 percent increase.

Total earned income¹

Total earned income for Kansas rose from \$27.1 billion in 1990 to \$28.3 billion in 1991, an increase of 4.2 percent. Nationally, total earned income increased by 2.8 percent over the same period, from \$3.1 trillion to \$3.2 trillion.

Business population

There were 65,692 business establishments² in Kansas and 6.1 million business establishments in the nation in 1989. As of December 1991, there were also 92,000 self-employed workers in Kansas, and 9.1 million self-employed workers nationwide.

Gross state product

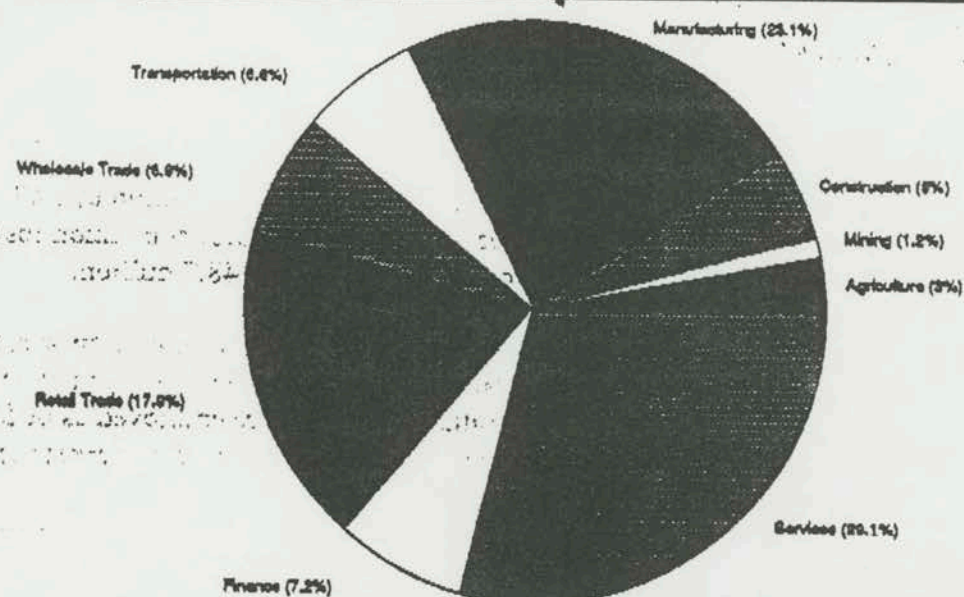
The gross state product of Kansas rose from \$40.7 billion in 1985 to \$48.8 billion in 1989, an increase of 19.9 percent. Nationally, real gross domestic product (GDP) rose from \$4.0 trillion in 1985 to \$5.2 trillion in 1989, an increase of 30.2 percent.

Exports³

Kansas's exports rose from \$2.113 billion worth of goods in 1990 to \$2.148 billion in 1991, an increase of 1.7 percent. Kansas accounted for 0.6 percent of the value of total U.S. exports in 1991.

Industrial composition⁴

The economy in Kansas, like that of the United States as a whole, is commonly divided for statistical purposes into nine industry divisions. Chart 1 (page 2) illustrates the industrial composition of Kansas' economy—in terms of employment—as of December 1991.

Chart 1
Employment in Kansas by Industry Sector, 1990


Note: All percentages are calculated from unrounded data. Therefore, small discrepancies may be present between the data and percentages shown in the text.

Source: U.S. Small Business Administration, Office of Advocacy, Small Business Data Base, 1988/1990 USEEM/USELM files.

Table 1
Top Five Industries in Kansas, by Employment, 1990

Industry	Number of Jobs	Percent of Total	Rank
Total, All Industries	936,245	100.0	—
Health Services	81,552	8.7	1
Educational Services	53,973	5.8	2
Transportation Equipment	51,356	5.5	3
Eating and Drinking Places	45,492	4.9	4
Wholesale Trade, Durable Goods	37,220	4.0	5

Note: Industries represent two-digit industries as defined in the *Standard Industrial Classification Manual*. Employment table above may not match that elsewhere in this report due to coverage differences among data sources.

Source: U.S. Small Business Administration, Office of Advocacy, Small Business Data Base, 1988/1990 USEEM/USELM files.

Small Business In Kansas

Number of small business establishments⁶	Of the 65,692 business establishments in Kansas in 1989, small businesses owned 94.0 percent. Nationally, 92.8 percent of all business establishments were owned by small businesses in 1989.
Small business share of employment	Small businesses employed 62.0 percent of Kansas's private nonfarm workers in 1990. Nationally, small firms employed 57.3 percent of all private nonfarm workers in 1990.
Small business output	Kansas's major small-business-dominated sectors (those with at least 60 percent of employment in firms with fewer than 500 employees) include the construction, mining, services and wholesale trade industry divisions. Output in these sectors changed by 12.5, -49.4, 39.9 and 7.9 percent respectively between 1985 and 1989. Nationally, changes in output in these industries were 32.8, -29.7, 49.8 and 20.9 percent, respectively, over this same time period.
Small business profits⁶	The net income of proprietorships and partnerships can be used as a measure of small business profits. Proprietorship and partnership income in Kansas rose from \$3.7 billion in 1990 to \$3.9 billion in 1991, an increase of 4.9 percent. Nationally, proprietorship income rose by 4.8 percent over this same period, from \$352.6 billion to \$369.5 billion.
New business incorporations	New business incorporations in Kansas fell by 7.5 percent between 1990 and 1991, from 4,249 to 3,930. Nationally, business incorporations fell 2.9 percent during the same period, from 647,366 to 628,580.
Business bankruptcies⁷	Business bankruptcies fell from 560 in 1990 to 527 in 1991, a decrease of 5.9 percent. Nationally, business bankruptcies rose from 63,912 in 1990 to 70,605 in 1991, a 10.5 percent increase.
Business failures⁸	Business failures rose from 763 in 1990 to 995 in 1991, an increase of 30.4 percent. Nationally, business failures rose by 43.7 percent, from 60,746 in 1990 to 87,266 in 1991.
Small business job creation	Small businesses have traditionally generated much of the economic growth and new jobs in the nation. From 1988 to 1990, the most current year for which nationwide figures are available, all of the new jobs in the nation were created by small businesses. In Kansas, small businesses created 63.5 percent of the net new jobs over the same time period.
Small business job creation by industry	A small-business-dominated industry is one in which at least 60 percent of employment is in firms with fewer than 500 employees. The four major small-business-dominated industrial sectors in Kansas are construction, mining, wholesale trade, and services. Between 1988 and 1990, small businesses created none of the new jobs in the wholesale trade industry. Small

businesses created 53.5 and 90.1 percent of the net new jobs in the construction and service industries, respectively. Nationally, small businesses created all of the net new jobs in construction, all of the new jobs in wholesale trade, and 83.1 percent of the new jobs in the service industry.

Fastest growing Industries

Table 2 (below) shows the five major industries in Kansas that experienced the largest percent increases in small business employment between 1988 and 1990.

Table 2

Fastest Growing Industries for Small Business in Kansas, 1988-1990

<i>Industry</i>	<i>Small Business Employment in 1988</i>	<i>Small Business Employment in 1990</i>	<i>Percent Change, 1988-1990</i>
Agricultural Products, Crops	6,073	13,425	121.1
Insurance Agents, Brokers, and Service	5,633	7,839	39.2
Social Services	8,187	10,784	31.7
Membership Organizations	12,370	14,385	16.3
Banking	13,566	15,623	15.2

Note: Industries with less than 1 percent of total state employment were excluded from this tabulation.

Source: U.S. Small Business Administration, Office of Advocacy, Small Business Data Base, 1988/1990 USEEM/USELM files.

Women- and Minority-Owned Businesses in Kansas

Every five years, the U.S. Bureau of the Census conducts surveys of women- and minority-owned businesses. These surveys cover sole proprietorships, partnerships, and subchapter S corporations—that is, all businesses except regular (1120C) corporations. The latest time periods for which comparable data are available are 1982 and 1987.

Between 1982 and 1987, the total number of U.S. businesses within the Census Bureau's sampling frame rose by 14.2 percent, from 12 million to 13.7 million. The receipts of these businesses rose from \$967.5 billion to \$2 trillion over this same period, an increase of 106.2 percent.

Women-owned businesses

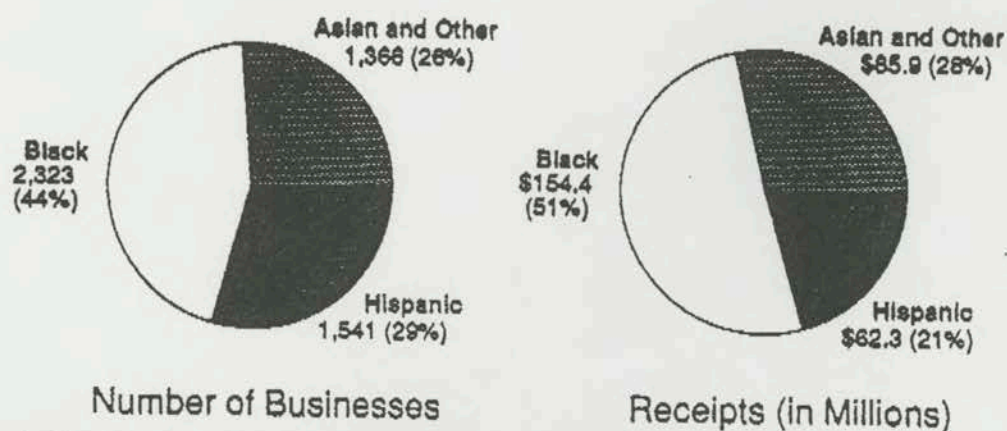
The number of women-owned businesses in Kansas rose from 36,770 in 1982 to 53,505 in 1987, an increase of 45.5 percent. The receipts of these businesses rose by 115.5 percent over this period, from \$1.2 billion to \$2.7 billion. Nationally, there were 4.1 million women-owned businesses in 1987, with receipts of \$278.1 billion dollars, up by 57.5 percent and 183 percent, respectively, from 2.6 million businesses and \$98.3 billion in receipts in 1982.

Black-owned businesses

The number of black-owned businesses in Kansas rose from 1,903 in 1982 to 2,323 in 1987, an increase of 22.1 percent. As of 1987, the receipts of these businesses were \$154.4 million (Chart 2). Nationally, the number of black-owned businesses rose from 308,260 in 1982 to 424,165 in 1987, an increase of 37.6 percent; the receipts of these businesses rose from \$9.6 billion in 1982 to \$19.8 billion in 1987, an increase of 105.5 percent.

Chart 2

Number and Receipts of Minority-Owned Businesses in Kansas, 1987



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

**Hispanic-owned
businesses**

The number of Hispanic-owned businesses in Kansas rose from 1,038 in 1982 to 1,541 in 1987, an increase of 48.5 percent. As of 1987, the receipts of these businesses were \$62.3 million (Chart 2). Nationally, the number of Hispanic-owned businesses rose from 233,975 in 1982 to 422,373 in 1987, an increase of 80.5 percent; the receipts of these businesses rose from \$11.8 billion in 1982 to \$24.7 billion in 1987, an increase of 110.3 percent.

**Businesses owned by
other minorities**

The number of Kansas businesses owned by Asian Americans, Alaska Natives, American Indians, and Pacific Islanders rose from 754 in 1982 to 1,366 in 1987, an increase of 81.2 percent. As of 1987, the receipts of these businesses were \$85.9 million (Chart 2). Nationally, the number of businesses owned by Asian Americans, Alaska natives, American Indians, and Pacific Islanders rose from 201,264 in 1982 to 376,711 in 1987, an increase of 87.2 percent; the receipts of these businesses rose by 158.9 percent over this same time period, from \$13.1 billion to \$34.0 billion.

Comparative Economic Indicators

How does Kansas fare compared to other states? Table 3 (below) shows Kansas's ranking compared to other states on some major economic indicators.

Table 3

Kansas's Ranking by Major Economic Indicators

<i>Indicator¹</i>	<i>Ranking² (Out of 51)</i>
Proprietorship and partnership income	23
Total earned income	21
Gross state product	40
Exports	45
New business incorporations	42
Business bankruptcies ³	33
Business failures ³	33
Number of women-owned businesses	39
Number of black-owned businesses	40
Number of Hispanic-owned businesses	39
Number of businesses owned by Asian Americans, American Indians, and other minorities	28

1. Rankings are based upon percent changes in indicators over the most recent time periods for which comparable data are available. See text for time periods associated with each indicator.

2. Includes the 50 states and the District of Columbia, making "1" the highest and "51" the lowest.

3. A "1" in the failure and bankruptcy categories means a high rate of failures or bankruptcies.

Economic Projections for Kansas

- Kansas will have the region's fastest rate of employment growth during the next several years. Over 26,000 new jobs will be created each year, for an annual increase of 2.5 percent.
- The state will also have the nation's fastest rate of manufacturing growth from 1993 through 1996, at 1.9 percent annually. It will be fueled by a planned expansion of the commercial aircraft industry, principally the development of the Boeing 777 airplane. This development will also blunt any defense related cutbacks in the aircraft industry. The 6.6-percent increase in transportation employment will be the second highest nationally.
- By 1994, Kansas' unemployment rate will drop to 4 percent, fourth lowest in the nation. Additional workers are expected to continue to migrate from the farms to the cities, coupled with some in-migration from Missouri.
- The state's farmers may achieve higher grain exports if agreements can be reached with the republics of the former Soviet Union. The main issue concerns their ability to pay for the grain they need.
- The areas around Wichita should experience a small building boom, which will help small construction firms. Housing starts will hit a 10-year high of 14,700 units by 1995.

Notes

1. Total earned income refers to the total amount of wage-and-salary as well as proprietorship and partnership income.
2. Business establishment refers to an individual place of business. Therefore, if a business owns several establishments, each would be counted separately. Most government statistics that measure the number of businesses use business establishments as their standard unit of measurement.
3. Exports refer to manufactured and nonmanufactured goods sold outside of the United States. Recent studies have shown that small businesses account for approximately 21 percent of manufactured exports.
4. Data in this section and in those which follow are from the 1988-1990 USEEM/USELM files of the U.S. Small Business Administration's Small Business Data Base.
5. Unless otherwise specified, a small business is defined here as an independent business that employs fewer than 500 workers.
6. Income from those entities referred to as sole proprietorships and partnerships makes up small business income.
7. Business bankruptcies refer to businesses that file Chapter 7, 11, 12, or 13 bankruptcy petitions in one of the 92 federal bankruptcy courts.
8. Business failures refer to business closures involving a loss to a creditor.

Data Sources

Asian-Owned Businesses	U.S. Department of Commerce, Bureau of the Census, <i>Survey of Minority-Owned Business Enterprises: Asian Americans, American Indians, and Other Minorities</i> (Washington, D.C.: U.S. Government Printing Office, 1991)
Bankruptcies, Business	Administrative Office of the U.S. Courts, Statistical Analysis and Reports Division, unpublished data.
Black-Owned Businesses	U.S. Department of Commerce, Bureau of the Census, <i>Survey of Minority-Owned Business Enterprises: Black</i> (Washington, D.C.: U.S. Government Printing Office, 1991).
Employment	U.S. Small Business Administration, Office of Advocacy, 1990 U.S. Establishment and Enterprise Microdata (USEEM) file of the Small Business Data Base.
Establishments	U.S. Department of Commerce, Bureau of the Census, County Business Patterns, 1989 U.S. Summary.
Exports	U.S. Department of Commerce, Bureau of the Census, Report on U.S. Merchandise Trade, Supplement FT-900.
Failures	The Dun and Bradstreet Corporation, <i>Business Failure Record</i> .
Gross State Product	U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Measurement Division, unpublished data summarized in <i>Survey of Current Business</i> (December 1991).
Hispanic-Owned Businesses	U.S. Department of Commerce, Bureau of the Census, <i>Survey of Minority-Owned Business Enterprises: Hispanic</i> (Washington, D.C.: U.S. Government Printing Office, 1991).
Income, Business	U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Measurement Division, unpublished data, 1992.
Income, Wage	U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Wage Measurement Division, unpublished data, 1992.
Incorporations	The Dun and Bradstreet Corporation, <i>New Business Incorporations</i> .
Job Creation	U.S. Small Business Administration, Office of Advocacy, 1988-1990 U.S. Establishment Longitudinal Microdata (USELM) file of the Small Business Data Base.

Population	U.S. Department of Commerce, Bureau of the Census, 1980 and 1990 Census of the Population.
Projections	Data Resources, Inc., <i>U.S. Markets Review, Third Quarter 1991</i> (Lexington, Mass.: DRI/McGraw-Hill, 1991).
Self-Employment	U.S. Department of Commerce, Bureau of the Census, Current Population Survey, annual averages, 1991.
Unemployment	U.S. Department of Labor, Bureau of Labor Statistics, <i>Employment and Earnings</i> (January 1991 and January 1992 issues).
Women-Owned Businesses	U.S. Department of Commerce, Bureau of the Census, <i>Census of Women-Owned Business Enterprises</i> (Washington, D.C.: U.S. Government Printing Office, 1991).

June 18, 1993

A CLOSER LOOK AT THE NUMBERS

The President and Senate Democrats claim that the compromise bill approved on a party-line vote by Democrats on the Finance Committee would reduce the deficit by **\$508 billion** over 5 years -- **\$248 billion** from tax increases and **\$260 billion** from spending cuts. That is incorrect.

ARE THESE REALLY SPENDING CUTS?

The President and Senate Democrats count the following items as spending cuts:

- **\$70 billion** from promised future cuts in so-called discretionary spending. At this point, the bill includes no enforcement mechanism to ensure that these cuts will ever occur.
- Recounts an additional **\$44 billion** in discretionary spending cuts which were approved in the 1990 Budget Agreement.
- **\$15 billion** in user fees. User fees are tax increases.
- **\$55 billion** in interest savings. Interest savings should not be counted as spending cuts.

THE FACTS ABOUT RECONCILIATION.

- o The Senate bill contains only **\$83 billion** in real spending cuts over the next 5 years -- **\$177 billion** short of the claim.
- o The Senate Reconciliation bill raises **\$3.18** in taxes and fees for every dollar of spending cuts over the next 5 years.
- o The House-passed Reconciliation bill calls for **\$6.35** in taxes and fees for every dollar of spending cuts over the next 5 years.

6/18/93

THE FACTS ABOUT RECONCILIATION

I. The Bill the Senate will be Debating Next Week (Dollars in Billions)

The bill approved on a party-line vote in the Senate Finance Committee includes an estimated \$248.9 billion in higher taxes, \$3.0 billion in user fees, and \$59.0 billion in spending cuts. Other Senate Committees have approved an additional \$11.9 billion in user fees, and \$23.9 billion in spending cuts. Only \$15.7 billion (18.9 percent) of the spending cuts would occur before 1996.

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1994-8</u>
Spending Reductions	5.8	9.9	17.1	22.3	27.9	82.9
User Fees	2.2	2.4	3.7	3.2	3.4	14.9
Revenue Increases	36.7	37.7	49.9	63.4	61.2	248.9
Total	44.7	50.0	70.7	88.9	92.5	346.7
Ratio: Taxes & Fees to Spending Cuts	\$6.72 to 1	\$4.06 to 1	\$3.13 to 1	\$2.99 to 1	\$2.32 to 1	\$3.18 to 1

Note: Based on Preliminary CBO/JCT Estimates

II. House-passed Reconciliation Bill (Dollars in Billions)

Most of the tax increases in the House-passed bill are retroactive to January 1, 1993, but only \$6.2 billion (13.5 percent) of the spending cuts would occur before 1996.

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1994-8</u>
Spending Reductions	1.7	4.5	9.1	14.0	16.6	45.8
User Fees	2.3	2.6	3.9	3.3	3.4	15.5
Revenue Increases	32.7	41.6	54.8	73.8	72.6	275.5
Total	36.7	48.7	67.1	91.1	92.6	336.8
Ratio: Taxes & Fees to Spending Cuts	\$20.68 to 1	\$9.77 to 1	\$6.47 to 1	\$5.52 to 1	\$4.58 to 1	\$6.35 to 1

Note: Based on CBO/JCT Estimates

CLINTON TAX BILL SPIN

- ◆ IF PRESIDENT CLINTON'S MASSIVE TAX BILL BECOMES LAW, IT WILL MAKE THE AMERICAN DREAM SEEM MORE LIKE AN AMERICAN NIGHTMARE. IT'S PRESIDENT CLINTON'S LATEST ATTACK ON THE FREE ENTERPRISE SYSTEM. LAST NIGHT, HE TALKED ABOUT VICTORIES FOR THE AMERICAN PEOPLE -- BUT NO ONE IN MAIN STREET AMERICA IS CELEBRATING.
- ◆ PRESIDENT CLINTON MAY FEEL LIKE A WINNER, BUT HERE ARE THE LOSERS: SMALL BUSINESSES AND ALL THEIR EMPLOYEES, THE MIDDLE CLASS, CONSUMERS, TAXPAYERS, SENIOR CITIZENS, AND ANYONE LOOKING FOR OPPORTUNITY IN AMERICA. THE CLINTON TAX AGENDA IS ANOTHER OBSTACLE TO JOB CREATION, AN OBSTACLE TO ECONOMIC RECOVERY, AND AN OBSTACLE TO INVESTMENT.
- ◆ PRESIDENT CLINTON MAY HAVE A NEW SPIN DOCTOR, BUT HE REALLY NEEDS A NEW ADDING MACHINE. LAST NIGHT HE PROMISED \$500 BILLION IN DEFICIT REDUCTION, AND CLAIMED A BALANCE BETWEEN TAX INCREASES AND SPENDING CUTS. HE WAS WRONG.
- ◆ THE ONE-PARTY BILL APPROVED TODAY TRIMS THE DEFICIT BY \$347 BILLION OVER FIVE YEARS, AND CONTAINS \$3.18 IN TAX INCREASES FOR EVERY DOLLAR IN SPENDING CUTS -- AND MOST OF THOSE DON'T TAKE EFFECT UNTIL AFTER THE 1996 ELECTION.

###

CLINTON NEWS CONFERENCE SPIN

*** RATHER THAN FOCUSING ON ALL THE DETAILS AND THE INSIDE BASEBALL ASPECT OF THE CLINTON PLAN, USE BIG PICTURE TALK OF WHAT THE PLAN IS DOING TO THE AMERICAN DREAM -- THE FREE ENTERPRISE SYSTEM, THE JOB-CREATING GENIUS OF AMERICA, AND HOW IT IS PENALIZING WORKING AMERICA FOR SUCCESS. ***

● THE AMERICAN FREE ENTERPRISE SYSTEM IS THE GREATEST JOB PRODUCING MACHINE IN THE WORLD, BUT FOR SOME REASON PRESIDENT CLINTON IS DOING NOTHING BUT SLOWING IT DOWN. NO WONDER ECONOMIC INDICATORS ARE EXPOSING THE CLINTON PLAN FOR THE DISASTER IT REALLY IS -- JOB CREATION IS ON HOLD, CONFIDENCE IS DOWN, THE TRADE DEFICIT WIDENS, AND YET THE WHITE HOUSE TUNES IT ALL OUT.

● PRESIDENT CLINTON HAD AN OPPORTUNITY TO DEMONSTRATE THAT HE REALLY IS A NEW KIND OF DEMOCRAT. BUT THIS HUGE TAX AND SPEND VICTORY PROVES HE'S JUST A BIG TIME TAX AND SPEND LIBERAL ... EXACTLY WHAT THE PEOPLE THOUGHT THEY WERE VOTING AGAINST LAST NOVEMBER.

● THERE'S NOTHING TO CELEBRATE. PRESIDENT CLINTON AND HIS DEMOCRAT ALLIES MAY BE CELEBRATING THIS RAW POLITICAL VICTORY ON CAPITOL HILL, BUT OUT IN THE REAL WORLD TAXPAYER ANGER WILL BE BUILDING STARTING RIGHT NOW. AND I REALLY HOPE THAT THE PEOPLE SPEAK OUT, AND REALLY LET CONGRESS AND THE WHITE HOUSE KNOW THAT THEY'RE FED UP.

● PRESIDENT CLINTON'S ECONOMIC PLAN ISN'T JUST TAXING WORKING AMERICA. IT'S PENALIZING HARDWORKING MEN AND WOMEN FOR BEING SUCCESSFUL, PENALIZING BUSINESSES FOR KEEPING THEIR DOORS OPEN, AND PENALIZING ANYONE ELSE WHO IS PURSUING THE AMERICAN DREAM.

● WITHOUT REAL ACROSS-THE-BOARD SPENDING CUTS, THE MESSAGE FROM PRESIDENT CLINTON AND THE DEMOCRAT CONGRESS IS -- LET US TAX YOU, LET US SPEND YOUR MONEY, LET US TAX YOU AGAIN, AND THEN TRUST US LATER TO CUT SPENDING. WELL, IT ISN'T GOING TO HAPPEN, AND THE AMERICAN PEOPLE KNOW IT.

● MILLIONS OF HARDWORKING AMERICANS WILL WAKE UP TOMORROW TO FIND OUT THAT PRESIDENT CLINTON AND HIS LIBERAL ALLIES HAVE DECLARED THEM "WEALTHY": WEALTHY IF YOU DRIVE A CAR, WEALTHY IF YOU'VE WORKED ALL YOUR LIFE TO PUT AWAY SOME MONEY FOR RETIREMENT, WEALTHY IF YOU RUN A SMALL BUSINESS, WEALTHY IF YOU AND YOUR FAMILY HAVE WORKED HARD TO MAKE IT, BUT WASHINGTON WANTS TO PENALIZE YOU.

● THE PASSAGE OF PRESIDENT CLINTON'S MASSIVE TAX AND SPEND PACKAGE IN THE FINANCE COMMITTEE REALLY BOOSTS REPUBLICAN CHANCES OF TAKING BACK THE SENATE IN 1994. ONCE THE AMERICAN PEOPLE FIND OUT WHAT THE CLINTON PLAN IS GOING TO DO TO THEIR WALLET, AND THEIR FUTURES, THEY'LL BE LOOKING FOR REAL ALTERNATIVES, AND REAL RELIEF IN 1994. AND I PROMISE REPUBLICANS WILL PROVIDE THE KIND OF LEADERSHIP ON THE ECONOMY THEY'RE LOOKING FOR.

A

June, 16, 1993

L.A. TIMES: BEHIND BAD RATINGS, CLINTON PLAN OUTSHINES FOES

1,474 adults surveyed 6/12-14; margin of error +/- 3% (LAT release, 6/16).

PRESIDENT CLINTON'S ECONOMIC PROGRAM					
	NOW	2/93		NOW	2/93
Approve	43%	60%	Return to tax & spend	53%	35%
Disapprove	41	26	Bold, innovative	28	50

CLINTON ENERGY TAX			
	NOW	2/93	
Favor	38%	56%	
Oppose	54	41	

BOREN ALTERNATIVE: IF IT CAME DOWN TO CHOICE TO CUT DEFICIT ...
Increased energy taxes 72%
Add'l spending cuts on Medicare/Medicaid 13

HAS BETTER IDEAS FOR SOLVING CURRENT ECONOMIC PROBLEMS			
TEST #1	NOW	2/93	
Clinton	44%	56%	
Hill Republicans	31	24	
TEST #2			
Clinton	40%		
Perot	45		

PRIMARILY TO BLAME FOR CURRENT ECONOMIC PROBLEMS	
Reagan/Bush admins.	53%
Hill Democrats	20
Clinton admin.	4
Hill Republicans	4

U.S. DIRECTION	NOW	2/93	1/93	CLINTON	NOW	2/93
Right direction	24%	45%	36%	Favorable	44%	63%
Wrong track	68	45	53	Unfavorable	43	25

AMONG REGISTERED VOTERS		NOW	7/92
	FAV/UNFAV		FAV/UNFAV
Ross Perot	47%/ 39%		30%/ 48%
Democratic Party	44 / 41		42 / 37
Republican Party	41 / 44		36 / 52

CLINTON JOB	OVERALL		ECONOMY		FOREIGN	
	NOW	2/93	NOW	2/93	NOW	2/93
Approve	42%	58%	36%	58%	44%	44%
Disapprove	49	28	52	27	36	17

BEFORE '96, CLINTON ...		NOW		1/93	
		WILL	WON'T	WILL	WON'T
Bring sustained prosperity		39%	49%	50%	36%
Significantly reduce deficit		38	52	40	50
Substantially reduce influence of lobbyists and special interests		29	56	31	53
PRIORITY FOR IMPROVING ECONOMY		NOW		1/93	
Reduce deficit		43%		27%	
Spend more on programs (education, public works, research)		28		31	
Cut taxes		20		25	

SMALL BUSINESS

June 18, 1993

M E M O R A N D U M

TO: SENATOR DOLE
FROM: NINA OVIEDO
SUBJECT: SMALL BUSINESS

Apparently, the Administration has issued a document (attached, provided by NFIB) claiming that the increase in taxes will not affect small business nor will they result in job losses. The NFIB will be preparing a formal response. The following is provided to refute their claims.

- ADMINISTRATION CLAIMS: Tax rates have been high in the past so raising them again cannot be very damaging.

RESPONSE: This argument misses the fact that in 1986, Congress simplified the tax code by taking away a large number of deductions, broadening the tax base and lowering the rates. The lower rate collected a considerable amount of revenue because deductions, credits and loopholes were eliminated. Increasing the tax rate now, on this much broader base will subject taxpayers to a much bigger tax bill.

- ADMINISTRATION CLAIMS: Additional taxes will not affect hiring or investment. The Administration says that business owners only pay tax on taxable income, that is, after they have already taken their deductions.

RESPONSE: Although this is true, they fail to mention that many business expenses are not deductible in the year they are incurred. For example, if the owner of an auto parts store purchases \$50,000 in inventory in 1992 and only sells \$25,000 by the end of the year, only \$25,000 is deductible. The other \$25,000 will be counted as taxable income. A business owner spending \$100,000 for a new piece of machinery will have to depreciate that machinery over a number of years. The machinery is not completely deductible in the year it is purchased.

Any tax that small business owners have to pay is money they do not have to hire new workers. It is impossible to increase the tax burden on employers without affecting their ability to hire.

- **ADMINISTRATION CLAIMS:** Some S corporation shareholders are very rich and do not deserve lower rates. The Administration points out that in 1990 nearly 50 S corporations had gross receipts of over \$500 million, and that the shareholders of these corporations earned an average of \$2.5 million.

RESPONSE: While statistics are always interesting, the administration fails to tell us anything about the other 1.5 million S corporations. Looking at the earnings of .003 percent of S Corporations in the country doesn't work in this debate.

ADMINISTRATION CLAIMS: Some S corporation owners are engaged in businesses with little public support. "Many S corporations, shareholders, partners, partnerships, and sole proprietors, particularly in the high income ranges are not small business owners ... [like the store owner or corner grocer] but instead investment bankers, doctors, lawyers and lobbyists." (personal comment: this sounds like the administration's hit list.)

RESPONSE: S Corporations include not only the owner of the corner grocery store or the hardware store but also "investment bankers, doctors, lawyers and lobbyists." According to the SBA, firms with fewer than 20 employees generated 4.1 million new jobs from 1988 to 1990. If we're interested in generating jobs -- the administration's argument is irrelevant.

TALKING POINTS: SMALL BUSINESS

- OUR ECONOMY HAS NOT FULLY RECOVERED -- WE'RE SHORT JOBS!! IT'S A SERIOUS PROBLEM AND SMALL BUSINESS WILL HELP US OUT OF THE PROBLEM IF WE LET THEM.
- ACCORDING TO THE SMALL BUSINESS ADMINISTRATION, SMALL BUSINESSES WITH FEWER THAN 20 EMPLOYEES CREATED 4.1 MILLION NEW JOBS BETWEEN 1988 AND 1990. DURING THE SAME PERIOD BUSINESSES EMPLOYING MORE THAN 500 EMPLOYEES HAD A NET LOSS OF 500,000.
- EIGHTY PERCENT OF BUSINESSES IN THIS COUNTRY PAY TAX AS INDIVIDUALS -- NOT CORPORATIONS. SMALL BUSINESSES ARE MOST LIKELY TO BE UNINCORPORATED AND NEW BUSINESSES ARE ALMOST ALWAYS UNINCORPORATED. THEY ARE PROPRIETORSHIPS, PARTNERSHIP AND SUBCHAPTER S CORPORATIONS.
- AS A RESULT, SMALL BUSINESSES RESPOND TO CHANGES IN THE INDIVIDUAL TAX RATES -- THE SAME RATES WE INCREASED ONLY IN 1990.
- IN 1990 WE RAISED THE INDIVIDUAL RATE FROM 28% TO 31%. WE RAISED THE AMT FROM 21% TO 24%; WE CUT BACK ON ITEMIZED DEDUCTIONS AND PERSONAL EXEMPTIONS.
- AND NOW WE'RE HITTING THEM AGAIN.
- AND NOT JUST WITH RATES -- I SEE THAT THE EXPENSING PROVISION WAS CUT BACK.
- I'M NOT SURE IT'S THE RIGHT POLICY BUT WE TEND TO USE THE TAX CODE TO REWARD AND PENALIZE -- WHY ARE WE HITTING THOSE WHO CREATE OUR JOBS?

ECONOMIC PLAN

June 18, 1993

MEMORANDUM TO THE REPUBLICAN LEADER

FROM: David Taylor

David

SUBJECT: New Spending in Reconciliation, House vs. Senate

THE HOUSE BILL

The House-passed bill contains roughly 200 provisions that would be considered "extraneous" in the Senate. Many of these provisions are related to new spending or expansion of current programs.

- o The House-passed bill contains more than \$42 billion in new spending and authorizations. These provisions include:
 - \$28.3 billion for expansion of the EITC.
 - More than \$7 billion for an expansion of food stamps.
 - A new \$2.1 billion immunization entitlement program.
 - \$300 million to provide taxpayer-financed emergency medical assistance to undocumented aliens.
- o The House-passed bill contains \$46.9 billion in tax expenditures. These provisions include:
 - Permanent extension of R&E Tax Credit (\$10 B), Employer-provided Educational Assistance (\$2.8 B), Low-income Housing Tax Credit (\$4.9 B), etc.
 - \$5.3 billion for "Empowerment Zones"

THE SENATE BILL

While final numbers are not yet available on the Senate bill, it contains significantly less new spending, fewer authorizations and fewer tax expenditures than the House bill.

- o The Senate bill includes at least \$19 billion less new spending.
 - EITC expansion was reduced by \$10 billion.
 - The bill includes no food stamp expansion.
 - The immunization entitlement is now "revenue-neutral."
- o The Senate bill contains \$22.5 billion in tax expenditures.
 - Most "extenders" are now limited to 24 months.

June 18, 1993
8:00 p.m.

NOTE TO THE REPUBLICAN LEADER

FROM: David Taylor *David*

SUBJECT: New Information on Senate Reconciliation Bill

The attached chart shows yearly ratios of taxes and fees to spending cuts in the Senate bill. It also compares the House bill to the Senate bill. I developed this chart in consultation with Bill Hoagland.

Additional Point:

- o Only 18.9 percent of the spending cuts in the Senate bill would occur before 1996.

Attachment

CHOLESTEROL: THE LATEST GUIDELINES

U.S. News & World Report

JUNE 28, 1993

\$2.50

"WHERE DID MY CAREER GO?"

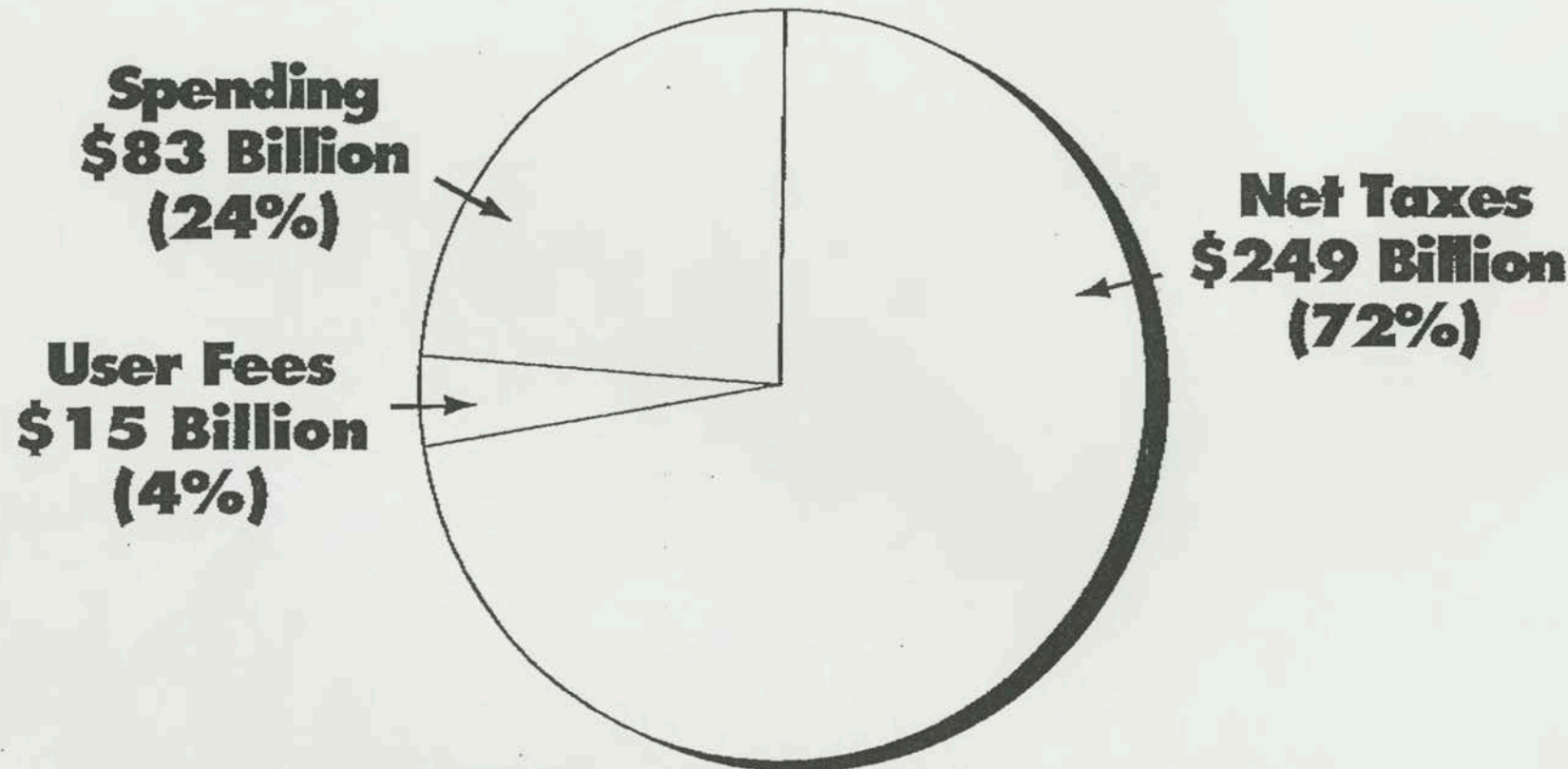
....

The white-collar lament of the '90s



Distribution of \$347 Billion Budget Package

1994-1998
Senate Reconciliation



SOURCE: Senate Budget Committee, Minority Staff, June 18, 1993
CBO/JCT scoring against CBO capped baseline

COLOR CHART IN ENVELOPE FOR
USE ON CAMERA.

SENATE BUDGET PLAN: TALKING POINTS

- o The new budget plan developed by Senate Democrats falls far short of what's needed. It would appear that the Democrats have heard the word but have yet to get the message.
- o Because the alternative budget plan offered by Democrats in the Senate still relies too heavily on taxes increases - raising \$3.18 in taxes for every \$1 in spending cuts. This is a far cry from what is being advertised as an even split on spending and taxes.
- o Moreover, it hits everybody - not just the wealthy. Democrats disagree. But under this plan, if you drive a car - you're wealthy. If you're a retired couple living on \$40,000 a year - you're wealthy. If you're a farmer, tradesman, or small business owner struggling to make it - you're wealthy.
- o Furthermore, the Senate Finance Committee plan reduces the deficit by only \$347 billion over the next five years - not the \$508 billion touted by the Democratic leadership. The new Democratic proposal raises taxes and user fees by \$264 billion while reducing spending only \$83 billion.
- o The Democrats claim \$170 billion in debatable spending cuts. For example:
 - Their accounting includes \$44 billion in cuts already achieved in the 1990 budget agreement.
 - Also, they count \$55 billion in interest savings as spending cuts - when any interest savings are proportionate to the level of taxes and spending cuts in the bill and, therefore, do not alter the ratio.
 - The remaining \$70 billion comes from future spending cuts and shouldn't be counted because the plan fails to ensure them by extending the current spending "caps" on domestic accounts.
- o This plan is an improvement over the House-passed \$6.35 in taxes to \$1 in cuts ratio. But it's difficult to make a silk purse out of a sow's ear.

The President's Economic Announcements

- o The President referred to some of the positive economic news that has been released during the past few months.
- o Americans are encouraged and relieved the economic recovery - which took root last year and began picking up steam in the fall - is taking hold.
- o But let's be honest about the policies which have brought us to this point. The positive economic news highlighted by the President and the White House today is the result of Republican policies advanced by the previous administration.
- o In particular, there is good news on the inflation front. Yes, new figures for May are good. They help to bring inflation to a 2.8-percent rate over the last three months.
- o But that's the same good news we had all of last year when inflation averaged 2.9-percent.
- o Partly due to lower mortgage rates and partly a rebound following severe weather in March, housing sales jumped up in April to their highest level since 1986. The contribution from lower mortgage rates reflects a downward trend in rates that has been going on since 1989 when mortgage rates were at 10.1-percent. As recently as last December they were at 7.9-percent and today they are at 7.5-percent.
- o The 755,000 increase in jobs since December, does not reflect so much the slow first quarter 0.9-percent Gross Domestic Product increase, as momentum coming from the strong 4.7-percent GDP gain in the fourth quarter of 1992.
- o These strong jobs figures also reflect new upward revisions to the jobs statistics. Also, the same revisions now show that, during 1992, jobs increased by 1.2 million, over, 400,000 more than previously estimated.
- o Perhaps now that there is a Republican serving in the White House members of the administration feel they can legitimately claim the credit for the policies which brought about this good news.

- o But the fact is, the current administration spent the last year deriding the very policies that produced these positive economic results.
- o And, the current Administration is dedicated to reversing many of the low-tax, pro-jobs policies responsible for good economic news.
- o Even worse, if the President's economic proposals are enacted, many of us believe it will erase the economic progress we have made and head us speeding toward high-inflation, high-unemployment, and high interest rates. The new taxes alone will destroy - not create - thousands of jobs across the country.
- o So, as the White House acknowledges these positive economic trends I hope they will not cast aside the pro-growth policies that brought us to this point. As they say back home: "If it ain't broke, don't fix it."

June 17, 1993

THE WEEKLY ECONOMIC REPORT

Executive Summary

An LA Times poll indicates that approval of the President's economic program has dropped to 43% -- down 17 points since January. The Senate Finance Committee is expected to complete action on its portion of the 1994 Reconciliation bill today. The Budget Committee is expected to take up the measure on Tuesday, clearing the reconciliation bill for floor action later in the week. Although the Senate Finance Committee Democrats have dropped the Btu tax, Administration officials have suggested that it may be revived in conference.

Despite Clinton's insistence that the economy is moving forward, news on the economic front remains mixed. Fears of inflation have temporarily subsided, but job growth remains sluggish, worker productivity has declined, and the U.S. trade deficit rose again in April to hit a four-year high.

Recent Economic News

- o **Actual 1st quarter GDP growth, only 0.9%, was the weakest since 1991. First quarter growth was down sharply from the 4.7% rate in the 4th quarter of 1992 (5/28).**
- o **After a big increase in March, the U.S. merchandise trade deficit widened again in April to almost \$10.5 billion -- the widest trade gap in 4 years (6/17). The increase is being attributed to increased oil and auto imports. Over half of the monthly trade deficit is with Japan.**
- o **The unemployment rate improved to 6.9% in May (6/3), but weekly first-time unemployment claims remained unchanged again this week (6/17).**
- o **Worker productivity declined 1.6% in the first quarter -- the sharpest drop in 2 years. (6/17)**

Reactions from the White House and Capitol Hill

- o **President Clinton** told a group of American CEOs, "We can bring this economy back if we pass the [budget] plan, get the deficit down, keep the interest rates down and keep the investment flowing to create jobs in the country." (6/16)
- o According to **OMB Director Panetta**, "The administration will be pushing for a version [of reconciliation] that is much closer to the House," he added that includes pushing for a Btu tax. (6/16)
- o **Sen. Boren** warns, "If moderate Democrats don't speak out, this President will become a prisoner of the far Left." (6/13)
- o **Sen. Metzenbaum** says that today "being a conservative Democrat means you go to the mat to protect parochial interests in your state -- the national interest be damned." Metzenbaum is upset with conservative Democrats for "publicly criticizing the President day after day." (6/15)
- o **Rep. Mfume**, Leader of the Congressional Black Caucus, warns that if deeper cuts in entitlement programs pass the Senate and survive the conference, passage of the bill is "imperiled in the House." (6/16)

What the Experts Are Saying

- o An LA Times poll suggests that most voters now reject Clinton's portrayal of his economic plan. Just 28% described Clinton's economic program "as a bold, innovative approach to fixing this country's economy;" 53% dismissed it "as a return to the tax-and-spend policies Democrats have been criticized for in the past." (6/16)
- o **Steve Daley** of the Chicago Tribune wrote, "In just five months, President Clinton and the Democratic-controlled Congress have reconfigured the Washington gridlock they had hoped to abolish." (6/16)

FOREIGN-Bosnia, Somalia

CLINTON FOREIGN POLICY

The Clinton administration has a tendency to either duck tough foreign policy issues or dump them on multilateral organizations.

Lack of U.S. leadership has hurt the credibility of the United States and U.S.-led organizations, like NATO.

It seems that the administration is willing to go along with any policy as long as it is arrived at multilaterally. Good policy has taken a back seat to multilateralism.

Lack of initiative was evident in Secretary Christopher's cable listing the administration's nine achievements. It would be more accurate to call most of the points, "punts", since what the U.S. has done over the past few months is "punted" tough decisions to the United Nations and our European allies, especially the case of Bosnia.

BOSNIA

After 15 months of war in Bosnia -- we are no closer to a solution now than when it started. Yes, the Bush administration policy was inadequate, but the Clinton administration has been in power for five months now and it has to stop finger pointing and start demonstrating the leadership it promised in the campaign.

Partition:

The new talk of partitioning Bosnia into three ethnic mini-states (Milosevic and Tudjman advocated this in meetings with Owen in Geneva this week; Bosnian President Izetbegovic has rejected it; Clinton and Christopher appear open to the concept) is not only unprincipled, but would set a terrible precedent by legitimizing the changing of borders by force. This would send a "green light" to would be aggressors elsewhere in the world where there are border disputes, like the former Soviet Union.

I hope that President Clinton, in view of the precedent that would be set by the international community approving the partition of Bosnia, and in view of President Izetbegovic's opposition to this plan, will take the leadership in opposing this plan in the U.N.

This new "son of Vance/Owen" plan reflects the international community's approach of demanding concessions from the victims, the Bosnians, while rewarding the aggressors by codifying the gains they have made on the ground. The U.N. is ready to take on warlords in Somalia, but will cave in to the thugs in Belgrade.

Dividing Bosnia into three ethnic mini-states amounts to international approval of ethnic apartheid. The adoption of ethnic-based provinces in the Vance/Owen plan has already been a catalyst for ethnic cleansing. Bosnia is not ethnically homogeneous -- the demographic map looks like a series of Rohrschach ink blots.

Safe Havens:

The administration is going along with Europe's failed policies. The so-called "safe havens" are neither safe nor havens. They're U.N. sponsored P.O.W. camps. One of these "safe havens", Gorazde (gore-AZH-day) has been continuously shelled and cut off from food deliveries for months.

Arms Embargo:

Yet, the Bosnian government has been unable to defend its cities, because of the U.N. arms embargo -- which violates Bosnia's inherent right to self-defense contained in Article 51 of the U.N. Charter. Clinton is right in saying that lifting the embargo is the best option; but he needs to do more than just talk about it. If we lead the allies will follow. The administration's multilateral approach has become a straightjacket on its Bosnia policy, rather than a means of facilitating it.

MACEDONIA

As for sending 300 troops to Macedonia to join UNPROFOR monitors as a means of containing the conflict, it seems to me that the best way to contain the conflict in Bosnia is to stop it. And one way to do that is to lift the arms embargo against Bosnia.

JAPAN

With the vote of no confidence in Prime Minister Miyazawa, it's not certain who President Clinton will be talking with when he gets to Japan for the summit next month. What will be in place is a protectionist and tough-minded Japanese bureaucracy which sets the rules for trade and threatens to undermine any success in the Uruguay Round of GATT talks.

NORTH KOREA

While the administration was right to try to reverse North Korea's decision to withdraw from the Nonproliferation Treaty (NPT), I believe that the compromise agreed to -- namely that North Korea won't withdraw if it is not subjected to inspections -- has rendered North Korea's adherence to the NPT meaningless. Inspections are the heart of the NPT and therefore, this precedent undermines the integrity of the NPT.

SOMALIA

Secretary Christopher's cable included withdrawal from Somalia as one of the Administration's claims to success but this was immediately reversed by the dispatch of warplanes and troops to the region. These UN operations are costly and dangerous. We went in to Somalia last year, established order, saved hundreds of thousands of lives and were well on our way to completing the withdrawal foreseen by the Bush Administration.

There's no doubt the UN had to reply to the ambush of the Pakistani forces. But there are a lot of existing and potential Somalias out there and we need to ask some questions about the recent situation. What is the goal of the current military

operation? When can US troops come home? ? What happened to the reconciliation talks begun and fostered by Ambassador Oakley? When and how did they begin to go wrong? In the multilateral-UN context in which the Administration prefers to deal, is the United States always going to be called on to be the ultimate enforcer?

BC-YUGOSLAVIA-KRAJINA (SCHEDULED) KRAJINA SERBS PREPARE FOR VOTE ON UNION WITH OTHER SERBS

By Aidan Hartley

KNIN, Croatia, June 18, Reuter - Rebel Serbs in Croatia's Krajina enclave are preparing to vote this weekend on union with other Serb lands in a referendum the United Nations says could inflame tensions in the region.

Under the organisation of Krajina's rugged military forces, Serbs say 1,264 polling stations are to be set up across the territory ready for voting on Saturday and Sunday.

Posters saying "One people, one destiny, one state" are the only visible sign of preparations for the referendum, whose legitimacy has been rejected by the United Nations.

Blue ballot papers ask voters: "Are you for the sovereign republic of Serb Krajina and its unification in a unitary state with the (Bosnian) Serb Republic and with other Serb states?"

U.N. officials in the town of Knin said on Friday the vote could provoke tensions on the frontlines where Croatian and Krajina forces engage in almost daily artillery exchanges.

"From the U.N. standpoint the referendum could have serious consequences and it has no legal basis," said one official.

Official results are due next Wednesday and organisers say an overwhelming "yes" is a foregone conclusion.

"It is not possible for Krajina to be part of this new independent state of Croatia," General Mile Novakovic, head of the Serb Krajina army, told Reuters.

"I simply do not want to walk with my eyes down on Serb land with Croatian authority above me," he declared.

Many Serbs acknowledge that Krajina was a catalyst for war in the former Yugoslav federation after Croatia seceded in 1991. The Serbs rebelled, taking 30 per cent of Croatian territory.

Krajina comprises ragged bits of land where the economy is in ruins and along whose borders Serbs and Croats have been in a state of low-level war despite the presence of 10,000 U.N. peacekeeping troops.

"We used to have one state, Yugoslavia, which thanks to Europe went to hell," said lawyer Borislav Martinovic, one of the referendum's organisers.

"We Serbs had our land. Now it is normal that one nation should be in one land," he added, reflecting hope that this weekend's vote would lead to unification with Serb-held lands first in Bosnia and ultimately in Serbia itself.

After unification, Krajina hopes to hold a joint assembly with Bosnian Serbs to establish a single government, probably with Bosnian Serb leader Radovan Karadzic at its head.

Authorities in Knin last week ordered a total mobilisation of men between the ages of 18 and 60, saying the Croats were massing forces to attack and disrupt the referendum.

Bars are officially closed. The dusty streets of Knin are lined with young men in combat uniform.

Vote organiser Martinovic says 400,000 people are eligible to vote, including ethnic Croats and Hungarians who have stayed within the war-torn region. There will be no foreign monitors.

Polling stations will be set up in Bosnia, Serbia and as far away as Argentina, for Krajina Serbs living outside the territory.

U.N. sources deny that Croatian forces, who last went on the

offensive in January, were about to attack again but said there had been "suspicious" troop movements northwest of Knin since last week.

WHIT IS PROVIDING
ON SATURDAY

TRANSPORTATION TAX

June 18, 1993

M E M O R A N D U M

TO: SENATOR DOLE
FROM: DENNIS SHEA
SUBJECT: CAMPAIGN FINANCE REFORM

Earlier today, Democratic Reps. Mike Synar, Dan Glickman, Bob Torricelli, Anthony Beilenson and Marty Meehan joined with Rep. Bob Livingston in a news conference announcing a campaign finance reform compromise. Synar claims he has 60 votes.

With a few exceptions, the compromise is roughly equivalent to the Senate Republican approach.

The highlights of the compromise include:

- * No public financing;
- * No spending limits;
- * A reduction in the PAC contribution limit from \$5,000 to \$1,000;
- * A reduction in the individual contribution limit from \$1,000 to \$500; and
- * An effective date that applies the bill to the 1994 elections.

The compromise would adopt the soft-money provisions of the Mitchell-Boren substitute. As you know, these provisions apply only to party soft money (The RNC is strongly opposed to them, and so is the DNC but much more quietly). The compromise would not touch labor soft money.

The compromise would require broadcasters to provide free time to candidates in order to respond to independent expenditures. Apparently, Synar was the target of a heavy independent expenditure campaign during his last House race.

SENATOR BOB DOLE
CAMPAIGN FINANCE REFORM
JUNE 17, 1993

MR. PRESIDENT, LAST MONTH, FIVE OF MY REPUBLICAN COLLEAGUES--SENATORS CHAFEE, COHEN, DURENBERGER, JEFFORDS AND MCCAIN--OUTLINED A SET OF NINE PRINCIPLES THAT THEY ARGUED MUST BE FOLLOWED BEFORE LENDING THEIR SUPPORT TO ANY CAMPAIGN REFORM BILL.

DURING THE COURSE OF THIS DEBATE, AND THROUGH THE AMENDMENT PROCESS, MANY OF THESE PRINCIPLES HAVE BEEN MET.

THIS DEBATE MAY HAVE SEEMED LIKE THE "LOCAL," RATHER THAN THE "EXPRESS" TRAIN, BUT PERHAPS THAT'S THE PRICE OF PROGRESS.

I AM PLEASED THAT MY COLLEAGUES ON THE OTHER SIDE OF THE AISLE HAVE FOLLOWED THE REPUBLICAN LEAD BY BANNING ALL PAC CONTRIBUTIONS. FROM DAY ONE, A COMPLETE PAC-BAN HAS BEEN A KEY ELEMENT IN THE REPUBLICAN APPROACH TO CAMPAIGN REFORM.

UNFORTUNATELY, THE ADMINISTRATION PROPOSAL HAD ORIGINALLY ADOPTED A STATUS QUO APPROACH TO PACS, LOWERING THE PAC CONTRIBUTION LIMIT MODESTLY TO \$2,500 FOR SENATE CANDIDATES AND RETAINING THE CURRENT \$5,000 LIMIT FOR HOUSE CANDIDATES.

IN THE END, THE SENATE HAD ITS SAY AND A COMPLETE PAC-BAN WAS ADOPTED. THIS IS A BIG STEP IN THE RIGHT DIRECTION.

I AM ALSO PLEASED THAT THE SENATE EMBRACED THE AMENDMENT OFFERED BY MY COLLEAGUE FROM VERMONT, SENATOR JEFFORDS, REQUIRING THE DISCLOSURE OF NON-PARTY SOFT-MONEY EXPENDITURES AND ALLOWING THE POLITICAL PARTIES TO RESPOND TO THESE EXPENDITURES IN KIND.

THIS AMENDMENT WILL HELP LEVEL THE POLITICAL PLAYING FIELD AND WILL SHINE SOME SUNLIGHT ON THE MILLIONS OF LABOR-UNION CONTRIBUTIONS THAT ARE PUMPED EACH YEAR INTO THE CAMPAIGN FINANCE PIPELINE.

BUT, MR. PRESIDENT, I WAS DISAPPOINTED THAT THE AMENDMENT OFFERED BY MY DISTINGUISHED COLLEAGUES, SENATORS MCCONNELL AND SHELBY, WHICH WOULD HAVE REMOVED THE MULTIMILLION DOLLAR PUBLIC-FINANCING PROVISIONS FROM THE BILL, WAS DEFEATED--LARGELY ALONG PARTISAN LINES.

WITHOUT A DOUBT, THE SHELBY-MCCONNELL AMENDMENT WAS THE CLEANEST, CLEAREST, AND MOST SENSIBLE APPROACH TO ENSURING THAT THIS BILL WON'T END UP ESTABLISHING A TAXPAYER-FINANCED ENTITLEMENT PROGRAM FOR POLITICIANS. IT SHOULD HAVE PASSED.

MR. PRESIDENT, WE HAVE BEEN AROUND THE CAMPAIGN FINANCE

REFORM TRACK FOR SEVERAL YEARS NOW. WE HAVE DEBATED THIS BILL FOR NEARLY THREE WEEKS.

AND, NO DOUBT, MANY OF US HAVE LEARNED A SIMPLE LESSON BY NOW--THAT CONGRESS IS PROBABLY THE VERY LAST PLACE TO GO, IF YOU'RE LOOKING TO DRAFT A NEUTRAL, NONPARTISAN PLAN FOR CAMPAIGN FINANCE REFORM.

THE PRESSURES OF PARTISAN POLITICS CAN WEIGH IN HEAVILY INDEED. AND MORE OFTEN THAN NOT, THESE PRESSURES WILL PREVAIL...AS THEY HAVE WITH THIS BILL AND ITS RESTRICTIVE, ANTI-COMPETITIVE LIMITS ON CAMPAIGN SPENDING.

NOW, MR. PRESIDENT, DON'T GET ME WRONG: I DON'T BLAME MY COLLEAGUES ON THE OTHER SIDE OF THE AISLE FOR ACTING IN THEIR OWN SELF-INTEREST. IF I WERE IN THEIR SHOES...IF MY COLLEAGUES ON THIS SIDE OF THE AISLE WERE IN THE MAJORITY...WE TOO WOULD TRY TO PASS A ONE-SIDED BILL THAT WOULD HELP REPUBLICANS TO THE DETRIMENT OF DEMOCRATS. THAT'S JUST THE WAY IT IS. THIS IS POLITICS.

AND THAT'S WHY I INTEND TO INTRODUCE A BILL LATER THIS MONTH THAT WILL TAKE THE RESPONSIBILITY OF UNTYING THE GORDIAN KNOT OF CAMPAIGN REFORM AWAY FROM CONGRESS AND INVEST IT ELSEWHERE--IN A BIPARTISAN, BLUE-RIBBON COMMISSION.

THE COMMISSION WILL HAVE ONE YEAR TO DRAFT A REFORM PROPOSAL, AND CONGRESS WILL HAVE A FEW MONTHS EITHER TO PASS THE PROPOSAL OR REJECT IT.

NO AMENDMENTS. A LIMITATION ON DEBATE. AND AN "UP OR DOWN" VOTE--TAKE THE COMMISSION'S PROPOSAL OR LEAVE IT BEHIND.

LET ME ADD THAT IF THE SENATE RECEIVES A CONFERENCE REPORT THAT DIFFERS IN LARGE, PERHAPS EVEN SMALL, WAYS FROM THE BILL PASSED BY THE SENATE TODAY--ON THE PAC-BAN ISSUE, ON PUBLIC FINANCING, ON THE ISSUE OF ESTABLISHING THE SAME RULES FOR THE HOUSE AND THE SENATE--THEN I HOPE MY REPUBLICAN COLLEAGUES WILL BE PREPARED TO STAND UNITED AND PREVENT THAT BILL FROM REACHING THE PRESIDENT'S DESK.

FINALLY, MR. PRESIDENT, I WANT TO THANK AND CONGRATULATE MY DISTINGUISHED COLLEAGUE FROM KENTUCKY, SENATOR MCCONNELL, FOR THE FREE EDUCATION HE HAS PROVIDED, NOT ONLY FOR THOSE OF US IN THE SENATE, BUT ALSO FOR THOSE WHO MAY HAVE WATCHED THE SENATE THESE PAST FEW WEEKS ON TELEVISION.

THROUGH SHEER HARD WORK AND HIS CONSIDERABLE INTELLECT, SENATOR MCCONNELL HAS PROVEN THAT HE IS CONGRESS'S, AND PERHAPS EVEN THE COUNTRY'S, FOREMOST EXPERT ON CAMPAIGN FINANCE REFORM. WHEREVER WE MAY STAND ON THIS ISSUE, SENATOR MCCONNELL DESERVES OUR GRATITUDE FOR ENRICHING THIS DEBATE.

GINSBURG

RUTH BADER GINSBURG--June 18, 1993

Biographical

1954--A.B., Cornell University (Phi Beta Kappa)
1956 to 1958--attended Harvard Law School
1959--LL.B., Columbia Law School

1959 to 1961--clerk to Judge Edward Palmieri, U.S. District Court for the Southern District of New York
1963 to 1972--Professor, Rutgers Law School
1972 to 1980--Professor, Columbia Law School

1980--appointed to the D.C. Circuit by President Carter

Professional Associations and Pro Bono Activities:
Director, Women's Law Fund (1972-1980); General Counsel, American Civil Liberties Union (1973-1980)

Age: 60

Religion: Jewish (will be the first Jewish Justice since Abe Fortas' retirement in 1969)

Married to Martin Ginsburg, a professor at Georgetown University Law Center; two adult children

Timing

- * As of today, the Judiciary Committee has not scheduled hearings. According to Senator Hatch's staff, there is a chance hearings will be scheduled before the beginning of the August recess.
- * For Bork, Souter, and Thomas, the average length of time between the Presidential announcement of the nomination and the commencement of the hearings was 66 days.
- * Senator Hatch has been saying that he wants to be expeditious, but he also wants to be thorough.

Other Background

- * Ginsburg has written hundreds of judicial opinions and more than 40 "law review" articles. It will take some time to review her written record. Early in her academic career, Ginsburg wrote two books on Swedish civil procedure.
- * Justice Scalia has said that Ginsburg is the "one person he would not mind getting lost with on a deserted island." In other words, Justice Scalia admires Ginsburg's intellectual abilities.
- * Ginsburg has the reputation of being a "moderate" on the D.C. Circuit. Others have described her as a "garden variety" liberal. During her tenure on the D.C. Circuit,

Ginsburg's views fell somewhere in the middle between Judge Abner Mikva on the left and Judges Robert Bork and Laurence Silberman on the right.

- * Ginsburg is widely respected in legal circles for her capabilities.
- * **Gender Discrimination.** During her career as an academic, Ginsburg helped create the constitutional framework by which to evaluate laws that discriminate on the basis of gender. It is fair to say that Ginsburg is a pioneer in the area of gender discrimination law.
- * **Abortion.** Strongly supports abortion rights, but has been critical of the "trimester" framework in Roe v. Wade. In a recent speech at the New York University Law School, she suggested that Roe v. Wade hurt the abortion rights' movement since it was more of a political decision, rather than a constitutional decision rooted in clear constitutional principles. She argued that Roe pre-empted political movements that were already underway in state legislatures to liberalize state abortion laws.
- * **Gay Rights.** In a 1984 case, Ginsburg dismissed the complaint of a sailor who was discharged from the military for engaging in homosexual activity. Ginsburg joined Justice Bork in ruling that the sailor's constitutional rights had not been violated.
- * **Crime.** She takes "moderate-to-conservative" positions on criminal law issues. Has been reluctant to extend new rights to criminal defendants.
- * **Independent Counsel.** In a Court of Appeals decision, Ginsburg wrote the dissenting opinion that held that the independent counsel statute was constitutional. Her dissenting opinion was later adopted by the Supreme Court in Morrison v. Olson.

Talking Points

- * Whether a nominee is politically liberal or conservative on policy issues is irrelevant. What matters is that we have a nominee who will neutrally apply the laws, not one who will impose her own policy preferences.
- * From what I have read and heard, Judge Ginsburg appears to be someone who appreciates that judges are not free to substitute their own policy preferences for the written law.