

To terminate this valuable, productive, cost-effective agency would reduce the Federal deficit by a factor of one ten-thousandth—one one-hundredth of 1 percent—point-zero-zero-zero-one. It would not make a dent on the deficit. In fact, it would make hardly a blemish. The benefits of this agency's work vastly outweigh its costs.

Mr. Speaker, USTTA has proven its value to America. It should be allowed to continue its good work.

CONGRESSIONAL ACCOUNTABILITY ACT OF 1995

SPEECH OF

HON. ANNA G. ESHOO

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, January 17, 1995

Ms. ESHOO. Mr. Speaker, I was proud to vote for S. 2, the Congressional Accountability Act.

Although I wholeheartedly support this long overdue legislation, I am disappointed that it did not include language that would prohibit Members of the House from using frequent flier miles accrued on official business for their personal use.

When I first came to the House, I initiated a policy in my office on February 23, 1993, which said that all frequent flyer miles accrued on official business must be used in connection with official travel and not for personal use.

Mr. Speaker, my office, and therefore the taxpayers, have realized significant savings from my travel on accrued frequent flier miles. We should pass legislation in the future that extends this reform to the House of Representatives. Until then, my office will keep this practice in effect.

INTRODUCTION OF LEGISLATIVE PACKAGE TO BOOST SMALL BUSINESS GROWTH, PRODUCTIV- ITY, AND JOB CREATION

HON. RON WYDEN

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, January 24, 1995

Mr. WYDEN. Mr. Speaker, today I am introducing a package of four bills to help small businesses fulfill their potential as the engine of U.S. economic growth and job creation. This package is designed to overcome structural barriers that limit small businesses' ability to raise capital, attract and motivate skilled employees, and export to fast-growing foreign markets.

These are three important challenges that face small businesses today, but too often these companies are victimized by Government indifference. Consequently, literally thousands of promising small companies die each year, not because they lack a good product or skilled management, but simply because they are too small to have the same opportunities for money, workers, and markets that larger companies take for granted.

Mr. Speaker, if the U.S. economy is to continue to grow and create jobs, small business will have to be out front. Statistics clearly show that, despite the barriers they face, small

companies are the key to the economy's future. In the 1980's, large companies lost a net 2 million jobs while small companies created a net 20 million. Moreover, in my home State of Oregon, perhaps the most predominantly small business State in the country, 98 percent of the businesses employ fewer than 100 workers, and the State government projects that fully 70 percent of the State's job creation in the 1990's will come from those small firms.

Mr. Speaker, the legislative package I am introducing today will give small businesses a fair chance to grow and prosper. It will not give small companies any special breaks; rather, it will clear away some of the structural impediments that prevent them from competing on an equal footing.

These are the four bills in the package:

1. THE ENTREPRENEURSHIP PROMOTION ACT

At some point in its development, nearly every small business faces a crisis in finding the capital necessary to finance continued growth. Nearly every company gets caught in the awkward position of being too large to be financed internally, but not yet large enough to tap the public capital markets or adequate bank financing. Capital is the lifeblood of every small company, spreading nutrients throughout its operations, and without sufficient capital, an otherwise healthy small company with a great product line will be doomed to wither away.

Companies caught in this position frequently turn for help to so-called angels—venture capitalists willing to invest their own money in companies they think have a real chance to succeed. Today, there is just not enough venture capital money available for these companies. Investing in new firms is risky, and most investors would rather take the more predictable returns of blue-chip stocks or Government securities than take a flyer on a small company. Moreover, in those parks of the country not near a financial center, there is frequently not a sufficient mass of potential investors who know the local companies well enough to risk an investment.

Again, in my home State of Oregon, with its fast-growing software, computer, environmental, biotech, wood products, and other industries, numerous companies that could be global competitors and create thousands of jobs are at risk, simply for want of venture capital funds.

It is imperative, Mr. Speaker, to pump more funds into the venture capital pipeline and to direct more of those funds to the companies that really need them. The Entrepreneurship Promotion Act is designed to do that by creating a tax incentive to get more investors involved—and keep them involved—in starting and growing job-creating small businesses.

This bill would create a tax rollover, similar to the one available to homeowners, to enable an investor who sold his stake in a qualified small business to reinvest the money in another qualified small business and defer paying taxes on the capital gain.

With this bill, investors would have an incentive to keep their money in the productive sector of the economy, rather than simply cashing out their investment. Moreover, the bill would target the incentive at investments in firms with less than \$20 million in annual sales—those companies with the fewest financing alternatives and therefore most in need of venture funds.

I am especially grateful to have Mr. MATSUI and Mr. SPRATT join me in sponsoring this initiative today.

2. THE FAMILY SAVINGS AND INVESTORS PROTECTION ACT

A second vital step to increasing the availability of capital to small business is to increase the return on investments and thereby draw more funds into the investment sector.

Currently, investors who hold long-term assets get taxed on both the real gain in value of their investment and on the gain due solely to inflation. When the Government taxes paper profits, not real profits, the added tax burden can be so great that investors can actually end up paying a higher effective tax on capital gains than even the top income tax rate.

The message this backward tax policy sends to investors is, "don't save, don't invest, just consume." That is the opposite of what is needed to nurture a healthy, inflation-free environment in which small businesses can grow and prosper.

The Family Savings and Investors Protection Act would index capital gains prospectively so that investors would pay taxes only on the real gain in their investment and not on the phantom gains due to inflation.

A recent report by the Institute for Policy Innovation calculated that lowering the cost of capital by prospectively indexing capital gains would, by the year 2000, increase capital formation in the United States by \$995 billion and create 260,000 jobs. Reflecting the higher economic growth, and resulting tax payments, net Federal revenue would increase by over \$40 billion.

Combined with the tax rollover bill, indexing capital gains would provide significant relief to those small businesses that have good products and good management but are starving to death for lack of capital.

Mr. speaker, capital gains tax policy has been caught in fearsome partisan debate for many years but I believe it is time to move beyond old divisions and recognize that indexing capital gains is good for small business, good for investors, and good for the Federal Government.

3. THE EMPLOYEE PARTNERSHIP REWARD ACT

If Americans are going to enjoy long-term economic growth and more well-paying jobs without triggering inflation, it will be vital to raise productivity. Without rising productivity levels, long-term living standards will stagnate and American jobs will be increasingly vulnerable to global competition.

One proven way to increase productivity at a firm is to put in place a performance-based reward plan, in which workers receive direct benefits based on their success in achieving certain measurable goals for the firm.

Those goals can vary depending on the priorities of the firm at a given time. For example, a young company may want to boost sales or market share, a company making major new investments may want to raise productivity, and a more mature company may simply want to increase profits. All of those goals are valid—the crucial issue is that those goals must be communicated clearly to workers and the rewards must be tied directly to the firm's performance relative to those goals.

These types of plans come under many different names—profit sharing, gain sharing, performance pay, and so on—but they all share the key characteristic that employees have a stake in the success of their firms and