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HEADLINE: Small Business Plays Its Cards

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HIGHLIGHT:

The challenge facing pro-business lawmakers in the November elections is to build on their newfound clout.

BODY:

What's at stake for small business in this year's elections?

As the presidential campaign drifts toward the summer conventions, attention is shifting to the battle for control of Congress: Republicans will fight to maintain or strengthen their dominance, and Democrats will struggle to recover from and reverse their 1994 losses.

With their business and labor allies, respectively, Republicans and Democrats will spend tens of millions of dollars to win the power to wield the congressional gavels.

Without question, who runs Congress is important to small business. The party in power sets the legislative and regulatory agendas, and that often determines whether legislation important to millions of small businesses will be crafted and ultimately brought to votes.

The 1994 elections handed Republicans control of both houses of Congress for the first time in 40 years and sent an almost unprecedented number of small-business owners and managers to Capitol Hill (see the table on Page 30), where they crafted an agenda favorable to small business.

At stake this fall is whether small business can maintain or expand its new foothold in Congress, most notably in the House, by helping to re-elect pro-business candidates and elect more lawmakers sympathetic to small-business concerns.

"The great majority of freshman members of Congress are themselves small-business people with a decidedly small-business view of the world," writes Richard L. Leshner, president of the U.S. Chamber of Commerce, in a new book.

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And among Republicans, it is the freshman class, with its small-business roots, that has provided the sharp, vocal cutting edge of the new GOP majority. With their take-no-prisoners approach, the House GOP freshmen pushed their leaders to resist compromise with the White House and the more moderate Senate Republicans and even forced two government shutdowns in an effort to win their demands. Their resoluteness has irritated even GOP congressional leaders at times, but their influence has been clear.

"They are mostly not lawyers and not legislators. They want results, and they want them now," says David Mason, a vice president at the Heritage Foundation, a conservative public-policy research organization in Washington, D.C. And they are impatient with the traditional Capitol Hill pace, he says. "They view a five-year or a seven-year time frame to get something done as absurd."

Owners and managers of small businesses, whatever their political affiliation, typically want less government interference in their affairs. They want less-costly and less-intrusive regulations, lower and fewer taxes, more powers handed to states, and balanced federal budgets.

Pursuit of this kind of agenda has been typical of small-business forces on Capitol Hill for years, but the aftermath of the 1994 elections was different: In some of the greatest numbers ever recorded, small-business owners and managers themselves, fresh from hand-to-hand combat with federal inspectors and tax auditors, arrived in Congress as lawmakers with an agenda -- and with clout.

But a year and a half after the euphoria of the 1994 voting, trouble has emerged on the political horizon for many pro-business Republicans who must face the voters again this November.

Not only has much of the small-business agenda stalled after it was acted on by the House, but opposition -- aided by a reinvigorated political movement among organized labor -- has emerged with the intent to kill it. The unions are coming to the aid of their traditional allies -- Democrats -- and are amassing tens of millions of dollars to keep President Clinton in the White House and to help the Democrats win back the House and the Senate.

Only two years ago, many of this year's political targets were quite literally minding their own businesses, watching politics from the sidelines. They became candidates for the first time in 1994 out of frustration with Washington. Government policies, they felt, worked against the development of new products and services and creation of jobs.

For years, however, small business went along with whatever Washington handed down. Owners and managers viewed new regulations or federal mandates as another burden to

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shoulder, without any appeal. The typical response "was to shrug, grumble, and return to work," says Leshner in detailing the rise of small-business activism on Capitol Hill in his book, *Meltdown on Main Street; Why Small Business Is Leading the Revolution Against Big Government* (Dutton, \$ 22.95).

He adds: "Most small-business people have more than enough work to do and problems to worry about without taking on the federal government."

But Clinton's massive proposal for a health-care overhaul in 1994 pushed many small-business people over the edge with its requirement that companies of all sizes offer all employees medical insurance. It was this so-called employer mandate, Leshner says, that prompted a small-business call to arms against big government and added such mandates to small firms' litany of grievances against Uncle Sam.

"It took an external threat -- the Clinton administration's health-care-reform plan -- to evoke that new voice and [propel small business to] demonstrate its clout," Leshner writes. His book chronicles the increased political activism of small-business owners and managers in 1994 and the role that government, especially as a regulator of the workplace, played in bringing them off the political sidelines.

Burdett Loomis, a professor of political science at the University of Kansas, in Lawrence, says the surge in small-business involvement in politics was a predictable response to regulatory excess. "One unintended consequence of a society that gets more regulatory is to politicize people who ordinarily wouldn't be political at all," says Loomis.

While large corporations can often find ways to minimize the effects of regulations, small-business operators have less maneuvering room, he notes. "If you're a small-business owner," he says, "and a decision that requires you to install, for example, air-filtering equipment suddenly cuts into your bottom line by 50 percent, you're motivated."

For example, Leshner recounts the experience of Frank Cremeans, who ran a concrete business in Gallipolis, Ohio. On the day before Christmas 1993, Cremeans had visits, all unannounced, by inspectors from four regulatory agencies. "They just showed up at my door without any prior notice and started raking me over the coals," he told Leshner. The experience led Republican Cremeans to run for Congress, and he won in 1994.

Cremeans' experience wasn't too different from the experiences of many other lawmakers who come from the small-business community. Unlike CEOs of large corporations, they often deal directly with federal officials who come to enforce regulations and tax codes, rather than handing those tasks off to platoons of lawyers and accountants.

Leshner believes the involvement of small business in the 1994 elections, as candidates or otherwise, was "the decisive force" in handing Republicans -- because of their typically

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pro-business leanings -- control of both the House and the Senate. "Small business became engaged in politics in 1994 like never before," he says.

Thomas Mann, director of governmental studies at the liberal-leaning Brookings Institution, in Washington, says the thrust presented by the House GOP freshmen is "anti-government, anti-regulation," and "much less inclined to big business than to small business." He adds: "It's almost populist in getting the professionals out of politics."

That kind of anti-government thinking was articulated in the Contract With America, the 1994 House Republican campaign document that set the agenda for the first few months of the 1995 House session.

Larry Sabato, a professor of government at the University of Virginia, in Charlottesville, says it's not surprising that many small-business owners and operators ran for office as Republicans. "Small-business and entrepreneurial types tend to back the Republican Party," he says. The 1994 election wasn't the beginning of a small-business role in politics, he adds, but it was "an acceleration."

Sabato also believes the small-business emphasis is good for the whole party: "Economic conservatism is perhaps the most unifying part of the GOP platform." Although the small-business thrust among the House freshman class represents an electoral watershed, it isn't the first sea change in Congress in recent times. Elections in 1964, 1974, and 1980 produced large numbers of new lawmakers who helped change the direction or the priorities of government.

After only a year or so in office for the House freshmen, their lofty goals have been frustrated. Many items were either watered down or killed in the Senate, trapped in House-Senate conference committees, or vetoed or opposed by the White House.

The House Republicans kept their promise of bringing every item on the agenda to a vote, and the House in fact passed at least one major element of all but one Contract item -- term limits. But few of the measures have become law.

A modified version of the line-item veto was finally passed and signed into law and will become effective for eight years beginning Jan. 1. Business-backed regulatory-reform measures, dealing with the right to take federal agencies to court and giving Congress the authority to review rules before they are issued, were also enacted. In addition, the earnings limit for Social Security recipients was raised.

Still bottled up or on the sidelines are some of the pillars of the Contract; welfare reform, which Clinton vetoed; comprehensive regulatory reform, blocked in the Senate; tax cuts for families and businesses, still not agreed upon by Congress and the White House; a balanced-budget amendment to the Constitution, still shy a few votes in the Senate; and a bill to limit product liability, vetoed by Clinton.

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This spring, Republican lawmakers have been trying to resolve differences -- among themselves as well as with Democrats -- on certain issues so they can highlight some achievements as they head for the campaign trail. Among items that could emerge; a consolidation of federal job-training programs, an overhaul of immigration policies, and health-insurance reforms.

However, organized labor, the newly energized player on the political scene, could sideline the unfinished agenda and end the Republican majority in Congress.

Labor's agenda is most commonly identified with the "America needs a raise" theme offered last fall by AFL-CIO President John J. Sweeney when he took over the federation after insurgents forced out labor's old guard. In addition to raising the minimum wage, the unions' plan includes blocking efforts to reform various laws affecting labor relations and the workplace, including health and safety laws and restrictions on labor-management relations.

The AFL-CIO also is imposing an emergency assessment on its 13 million members to help fund a \$ 35 million campaign war chest aimed at ousting pro-business House Republicans. Most of the presumed targets are freshmen who voted in favor of the business position at least 80 percent of the time on issues selected by the U.S. Chamber of Commerce in its "How They Voted" ratings for the first session of the current Congress.

The AFL-CIO also made its earliest presidential endorsement ever, for Clinton. To counter the labor federation's effort, business groups have formed a coalition, which includes the U.S. Chamber, to help pro-business candidates and explain the business position on the issues.

The Chamber's Leshner believes that organized labor's legislative agenda is simply out of sync with reality because it hasn't kept pace with the changing workplace. "Unions devote most of their time and energy to campaigning for higher pay, more-generous benefits, and restrictive work rules that make it ever more difficult for management to respond to new challenges and technologies," he writes.

But business and labor won't be the only big players on the political scene this year.

The National Republican Congressional Committee, which raises House GOP campaign funds, says that so far this year about 50 to 60 percent of the candidates who have expressed interest in running for the House as Republicans have a small-business background or are familiar with small-business issues.

Of the 74 freshman House Republicans, all but one (Enid Greene of Utah) are running for re-election.

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Meanwhile, the Democratic Congressional Campaign Committee is confident that it can field candidates strong enough to win back the House. But it is making no special effort to seek out small-business candidates.

Although there's sympathy in the Senate for small-business concerns, the small-business revolution has yet to make a big mark there; every two years only one-third of the seats are up for election.

But both parties have small-business-oriented candidates for the Senate, who have either won an early nomination or are seeking nomination. There are 13 open seats in the Senate.

Whether small business can hold on to its 1994 gains remains to be seen, but the populist agenda that small business has brought to Congress isn't likely to disappear.

"I wouldn't be surprised to see this grow over time," says Mann of the Brookings Institution. Loomis of the University of Kansas agrees, saying the debate in Congress has moved so far in the Republican direction that what will eventually emerge from Capitol Hill will reflect GOP thinking much more than in the past.

Nonetheless, the agenda that has dominated the 1995-96 Congress so far has taken quite a beating from Democrats and their allies, and more of the same can be expected later this year.

The Chamber's Leshner warns in his book that the "unremitting assault" should not be allowed to wear down those who support the small-business movement and its agenda.

"In the present crisis," he writes, "it is up to business -- and especially small business -- to redouble our efforts to elect and re-elect pro-business candidates across the board until the small-business revolution is a done deal."

	1953-54 *	1975-76 **	1995-96
Agriculture	53	31	20
Business/Banking	131	140	162
Medicine	6	5	10
Education	46	64	75
Law	247	221	171
Journalism	36	24	15
Other	5	13	25

* This session of Congress was the last -- until 1995-96 -- that the Republicans controlled the House.

** This session includes the post-Watergate class of Democrats elected in 1974.

Totals exceed 435 because some members listed multiple occupations.

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SOURCE: VITAL STATISTICS ON CONGRESS, 1995-96

GRAPHIC: Photo 1, Small-business owners and managers have been pulled off the political sidelines by big government, says U.S. Chamber of Commerce President Richard L. Leshner; talking with small-business people in Chambersburg, Pa. H.A. "Pete" John, a real-estate broker; William K. Nitterhouse, president of a concrete-products company, David G. Sciamanna, president of the Greater Chambersburg Chamber of Commerce; Edmand T. Leshner (no relation to the U.S. Chamber's Leshner), president of an electrical-contracting firm; and Susan O. Smith, owner of an insurance agency; PHOTO T. MICHAEL KEZA. Photo 2, Lawmakers with small-business experience include Reps. Mark Souder, R-Ind., who has a general store, and J.C. Watts, R-Okla., whose firm manages real estate. PHOTO LAURENCE LEVN; Chart, Their Jobs Back Home Occupations Of U.S. House Members; HART MICHAEL BROOK. Picture, Richard Leshner's book, tracing the roots of the 1994 political revolt by small business, is available in bookstores nationwide or by calling the publisher at 1-800-253-6476.

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