

## Policy and Regulation in Small Business

The purpose of this paper is to provide an introduction to the panel's topic, a review of the general focal points of the current relevant literature, and highlight its theoretical and conceptual bases.

Virginia Solis Zuiker, University of Minnesota<sup>1</sup>  
Ramona K.Z. Heck, Cornell University<sup>2</sup>  
Kathryn Stafford, The Ohio State University<sup>3</sup>

Small businesses provide new competition to existing businesses, create new jobs, advance new technologies, and help improve product quality (Holtz-Eakin (1995). Family owned and managed businesses are important in the United States. The majority of all firms in the U.S. is family firms and these family firms contribute about half of both the nation's GDP and total wages. Additionally, these family firms comprise one-third of Fortune 500 list of large companies (Ibrahim & Ellis, 1994).

Not only do family owned and managed businesses make substantial contributions to the overall economy, households make tax contributions on the net business income earned in these family firms (Heck, 1994). This indicates that the tax burden for the family owned and managed business is significant and why the Federal tax laws have real meaning for the business enterprise (Heck, 1994). Holtz-Eakin (1995) suggests that policies targeting tax breaks, wage subsidies, loan guarantees or outright grants are probably not the most useful in creating a 'small business climate,' but rather "... policies should be devoted to developing an environment favorable to innovation, employment, and growth in the economy as a whole" (Holtz-Eakin, 1995, p. 2).

Holtz-Eakin (1995) suggests two public policy principles as guidelines to help formulate small business policies. These two public policy principles are economic efficiency and equity or fairness. He raises the question "...how should we think about fairness and public policy toward entrepreneurs and small businesses?" (p. 18). He further states that the impact from public policy are transmitted to the workers, managers, financiers, and owners, therefore applying the notion of fairness to firms could lead to inconsistent treatment of individuals.

### References

Heck, R.K.Z. (1994, December 9). Field hearing on compliance costs and regulatory burden imposed by the Federal tax laws on individuals and businesses. United States House of Representatives, Committee on Ways and Means, Subcommittee on Oversight, Elmira, New York.

Holtz-Eakin, D. (1995). Public policy and entrepreneurship (Policy Brief No. 5/1995). Syracuse, NY: Syracuse University, Maxwell School, Center for Policy Research.

Ibrahim, A.B., & Ellis, W.H. (1994). Family Business Management: Concepts and practice. Dubuque, Iowa: Kendall/Hunt Publishing Company.

### Endnotes

<sup>1</sup> Assistant Professor, Department of Family Social Science.

<sup>2</sup> Professor, Department of Policy Analysis and Management, Director of Family Business Research Institute.

<sup>3</sup> Associate Professor, Department of Consumer and Textile Sciences.