



October 4, 2011

The Honorable Spencer Bachus  
Chairman, House Financial Services Committee  
U.S. House of Representatives  
2246 Rayburn Building  
Washington, DC 20515

Dear Chairman Bachus:

We write today to express our support for the pending bills H.R. 2930, H.R. 2940, H.R. 2167, and H.R. 1965, as well as Rep. Stephen Fincher's Discussion Draft for the Capital Markets Subcommittee mark-up.

An often-repeated truism of the U.S. economy is that small businesses – generally defined as those with fewer than 500 employees – account for about 70 percent of net new job creation. But recent research has shown that, in fact, new businesses are the U.S. economy's true engine of job creation. Businesses less than a year old contribute an average of 3 million new jobs each year. To be sure, existing small businesses and larger firms are important, too. Policies that improve the circumstances for existing businesses also enhance the prospects for economic growth and job creation. But if the policy target is job creation, new business formation is the bull's-eye.

Regrettably, America's entrepreneurial economy is faltering. According to a recent BLS report on entrepreneurship, after increasing at a relatively steady rate for more than a decade, the number of new businesses created annually peaked in 2006, and then began a precipitous decline – a decline accelerated by the recent recession. The number of new businesses formed in the year ending March of 2010 was down 24 percent from the 2006 peak, to the lowest level since the BLS began collecting start-up data in 1994. Even more alarming, the new businesses that are being formed are creating fewer new jobs. If such patterns persist, over the next 10 years new firms will likely create 7.5 million fewer jobs, suggesting that the United States may face chronic unemployment of 9 percent or higher for many years.

With this critical understanding in mind, policymakers and the broader business community must do everything possible to enhance the circumstances for new business formation, survival, and growth.

Additionally, the stifling effect of over-regulation is particularly acute for small businesses, which don't have the scale and resources of larger firms over which to absorb and amortize the costs of compliance.

The bills referenced above will, in our view, meaningfully enhance the circumstances for new business formation and survival by reducing regulatory burden. With the aim of revitalizing America's entrepreneurial economy and its job creating capacity, we respectfully urge you to support pending bills H.R. 2930, H.R. 2940, H.R. 2167, and H.R. 1965, as well as Rep. Fincher's Discussion Draft for the Capital Markets Subcommittee mark-up.

Sincerely,

A handwritten signature in black ink that reads "ROB NICHOLS". The letters are in all caps and have a cursive, slightly slanted appearance.

Robert S. Nichols  
President and CEO  
Financial Services Forum