

**AS PREPARED FOR DELIVERY**

Thank you, David for that kind introduction . . . and thank you for your very effective management and leadership of EDA. It's a great pleasure to be here this morning. I know that you heard from Secretary Evans yesterday . . . and I'm sure that he told you that economic development – and in particular, encouraging partnerships to foster economic growth and create jobs in our communities – is a top priority for us at the Commerce Department.

I have been at Commerce for almost two years now . . . and during that time, I have come to see the Department as the business community's home in the federal government. President Bush is fond of saying – and Secretary Evans and I share this view – that government doesn't create wealth in this country, people do . . . the private sector does. So our mission is quite simple really: to create the right environment for American businesses to flourish and prosper.

And all of you here today help us achieve that goal. Through education and training programs, public-private funding partnerships, and infrastructure investments, you are working with EDA to create an environment where thousands of businesses – and their employees – can succeed and grow. I've seen the results of EDA's partnership efforts . . . where businessmen and women, community leaders, and government officials join together to grow local economies and create jobs . . . and not just any jobs, but higher paying, highly skilled jobs.

Just a few months ago I had the opportunity to visit the Center for Emerging Technologies in St. Louis . . . an incubator facility for biotech and high-tech start-ups. EDA has invested several million dollars in the Center, and has partnered closely with the city and with universities and medical schools in the area.

The companies now operating there are developing truly cutting-edge technologies . . . from nanomaterials, to medical equipment, to new drugs for treating osteoporosis and rare genetic disorders. And even though it has only been in existence for five years, the facility has created over 250 jobs and attracted over \$250M in capital . . . it has also spun off 3 companies, which have gone on to create more jobs and generate more investment.

You all are out there everyday, working to develop these innovative projects . . . because you know that American workers are the backbone of our economy . . . and that American business is the engine that keeps this country moving forward.

In particular, small entrepreneurial companies are critical drivers of economic growth. Data collected over the past 20 years show that small businesses create two-thirds of all new jobs in this country. In addition, they generate about 50% of our nation's GDP . . . and that number is growing.

Even more than that, these companies are agents for change in our economy and our society . . . forcing the country to new productivity levels and radically transforming whole industries. Collectively they are an engine of innovation . . . converting new ideas and technologies into real products and services, sold to real customers in real markets . . . and creating real jobs.

No one understands this – and appreciates this – more than President Bush. He believes that we should make it easier for small businesses to grow and succeed. And that is precisely why he has put forward a bold and innovative plan to create jobs and grow our economy . . .

I know that you heard from Secretary Evans about the President's plan yesterday . . . but I want to emphasize a key point: the President's plan will help our small business sector.

The President has proposed to speed up much-needed tax relief to individuals and families. 92 million American taxpayers would receive an average tax cut of about \$1,100. That's \$1,100 this year . . . and next year . . . and the year after . . . and you get the picture. The President is confident, as I am, that by leaving more money in the hands of people and businesses – to spend and invest – we will boost our economy and create more jobs.

Importantly, many small businesses would benefit from the accelerated rate reductions (Subchapter S filers). The President's plan also includes a provision specifically for small businesses: it would increase the expensing limit for investment in new equipment . . . tripling the amount from \$25K to \$75K this year, and adjusting it for inflation thereafter. This plan would help an estimated 23 million small businesses.

In addition, we ought to end the double taxation on dividends. Today, this country has the highest effective tax rate on dividend income (about 60%) of any G-7 nation. By making such a huge claim on the profits of our nation's employers, the federal government undermines competitiveness. The President proposes to eliminate the double-taxation of dividends, thereby cutting this rate nearly in half (to 35%).

Getting rid of the double tax on dividends will reduce the cost of capital. It would put companies in a stronger position in the long-term, by reducing the current bias in favor of debt over equity . . . and would make our companies more competitive relative to our trading partners. The simple truth is this: it's fine to tax earnings once, but it's not right to tax them twice . . . period.

This is good news for our small business sector. First, it would put more money in consumers' pockets . . . \$20 billion in the first year. Secondly, eliminating this double tax would encourage large companies to invest . . . for example, to buy products from small suppliers or to acquire start-up companies.

And finally, I would point to an often-overlooked feature of this plan . . . for corporations that retain their after-tax profits for investment or expansion, the cost basis of the shareholders' stock would be increased to reflect those retained earnings. In other words, the decision to retain earnings by a company would not result in additional tax at the shareholder level. This would directly benefit many small and medium-sized businesses (those that file as Subchapter C corporations) who choose to invest fully taxed earnings back into their companies.

The fact is, we need a good jolt of confidence to get us going. While our economy has been growing for two years now, it is not growing fast enough. Too many people are out of work. This is a problem that the President refuses to ignore. He will not stop until every American who wants a job has one.

We are pleased that the Congress has made progress on this front. The plan put forward in the House represents a positive step forward for our economy and for American workers. As well, the Senate proposal being discussed reflects key provisions of the President's plan . . . Senate Finance Committee will be taking it up today.

So, things are still in flux . . . the bottom line from my perspective is this: We will continue to work with Congress . . . and we will continue to fight for a robust package that will create jobs. I know that you all support this policy goal . . . you are working hard everyday in your communities to create opportunities for the citizens of our great country.

I want to stop there and take your questions . . . but before I do, let me just say this: The work that we do at the Commerce Department – whether at EDA or one of our other agencies – depends on partnerships . . . partnerships with state and local governments, with the private sector.

In keeping with that philosophy, I have a request: while you are here this week, I encourage you to share your ideas about how the federal government can better support your efforts. Working together we can all expand opportunity and create hope. Thank you very much for your time . . . and enjoy the rest of the conference.