



Rep. Tom Emmer on House Committee Hearing

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****REP. TOM EMMER:**

** Thank you to the Chair, and thanks to the panel for being here today. It's interesting, I haven't been here all that long, but I think on this issue, this should not be a partisan issue at all. This is really an American issue, and when it comes to domestic economic policy, like so many things that we deal with here in Congress, we seem to have a problem with a well-intentioned, bipartisan, one-size-fits-all law that was passed for purposes that, again, are not partisan. Everybody wants full disclosure, everybody wants people to enter the marketplace and be able to participate on a level playing field, no matter how big that individual or company is, or how small. But it seems that the law that was passed for well-intentioned purposes, now we've got some experience with it, it's showing us that there are some issues, and people have to acknowledge it. I think we are, on both sides of the aisle, acknowledging that this is important. But it's not just about the economic growth that we get from a company when it goes public. And I think one of you testified, maybe it was you, Mr. Quadman, about the majority of the jobs are created after a company goes public. It's not just the jobs that follow. This is about, to me, the modest or small or beginning investor. It's about them getting the opportunity to participate and potentially prosper in the marketplace. We heard testimony today about the decline of public companies in this country. I think the statement has been that today we have half as many public companies as we did some 20 years ago. In Minnesota, we're still home to 17 Fortune 500 companies. We have a history in our state of inventors, of innovators, of visionaries. Some argue that we haven't been launching our new ideas, our startup companies, into public offerings the way we should be. There was a May 2015 article in our Minneapolis Star Tribune that was titled, quote, Star Tribune 100, colon, signs point to a new round of companies going public. According to that article, this was the only IPO of a Minnesota company in 2015. And it had been the first since 2009, so almost six years. Now, it said in that article, the biggest difference between the Star Tribune 100 in 2015 and the Star Tribune 100 ten years earlier was, quote, there are fewer small companies with between 50 million and 200 million in annual revenue rising through the ranks. Now a year later, and remember, the headline said more public offerings, looks like more public companies are in the offering. A year later, May of 2016, our Star Tribune reported on a company called Tactile Systems as being the first Minnesota company in a year to try to go public. And that article pointed out that we only had seven companies in Minnesota between 2011 and 2016 that had made public offerings, or went public. John Potter, a partner in Minneapolis' office of PricewaterhouseCoopers and an expert on mergers and acquisition activity, was quoted in that article, and he was saying that there is no shortage of companies with the size, scale, and value, but they've found capital elsewhere. So Mr. Quadman, I'll start with you, and maybe Mr. Burlau, you can weigh in. This is a matter of marketplace fairness. Where does the beginning investor enter if these startup companies are staying private and they're getting it from wealthy investors as opposed to somebody who's trying to enter the marketplace?

****MR. QUADMAN:**

** Yeah, and that's a problem we've been talking about this morning, where I think those investors have been shut out. I think there's been a prevailing thought that, well, they invest in mutual funds or they invest in other vehicles, and they sort of get the benefits that way. Well, if those retail investors want to be able to benefit from a company going public, they should be able to do so, and I believe that Chair Clayton actually raised this as an



important priority of his in his New York Economic Club speech last week, and this is an issue that he wants to tackle. There's one other issue I want to talk—I'll just sort of throw out there, but this is probably the subject of another hearing. We also have a big problem on the other end, where there's been Census Bureau data, there's an interesting study by the Economic Innovation Group about how dynamism is failing on the other end, that we are no longer creating businesses at the very start, and that has not recovered since the 2008 financial crisis. So we have it on the one end where we're not creating public companies anymore, where they're actually declining, but we're also not creating new businesses at that rate, and it's a problem because if you take a look at the Fortune 100 today, 20 of the Fortune 100 were started from 1975 to 2000. So we're no longer also creating that backfill, and we're actually losing the innovative edge we've always had. Thank you.

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