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GEORGE CLOUTIER

The Short-sighted Double Standard

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When President Bush tries to tell the nation that the economy is basically sound, and Americans are managing their budgets just fine, it's yet another insulting reminder of how completely out of touch Washington is with Main Street. For the 23 million small business owners in this country, many of whom are staring at the brink of bankruptcy, nothing could be further from the truth.

In fact, according to a poll my firm just commissioned from Suffolk University, a whopping 81% of small business owners feel we are now in a full-blown economic recession, and exactly half believe it will get much worse.

A stunning 63% of the 400 poll respondents, drawn from a nation-wide database between June and July, feel the federal government is "doing nothing" to help small businesses. Another 23% said it's doing "little." And the vast majority (72%) is more than a little sour at the perception that the federal government is bailing out Wall Street.

Don't get me wrong. To some degree, the government needs to stop the big banks from going all the way down the tubes because, if they don't, a broken financial sector will take the rest of the economy right down with it. Even a bailout of Fannie Mae and Freddie Mac probably has to happen, although that mess and others like it were created in part by the fact that regulators were asleep at the wheel.

But why should small business get nothing while Wall Street benefits? It's shortsighted, and it will only serve to speed the spiral effect of the economic downturn as these enterprises stop investing, and continue to lay off workers. With rising gas prices furthering the slide, our poll definitively demonstrates it's time the White House and Congress offer concrete emergency programs to help small businesses.

I'm seeing the dire need first hand. As founder and chairman of American Management Services, a 21-year old practice that implements turnaround strategies for privately held small and mid-sized firms, I've worked with more than 6,000 company leaders across 400 different industries, and their message is consistently depressing. Gas and energy prices, along with general inflation costs, are killing them. They are desperate.

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Sure, there are many things they can do to help themselves long before it gets to this point. Good times can mask a whole host of inherent management problems. I call it the "Bay of Fundy" effect. That body of water, in my home state of Maine, has some of the highest tide and headwaters in the world. High tide swell to as much as 60 feet in a typical day. But when that tide goes down, the force of nature practically sucks the bay dry and brings down everything with it.

The economic tide has turned to devastating effect. Tens of thousands of small American companies, from tiny Mom & Pop operations to firms that once enjoyed tens of millions of dollars in revenue, will fail this year due to government inaction. And Wall Street firms, most of which are big enough to withstand the blows of an economic downturn without getting wiped out, can borrow billions at 2.28%. Meanwhile, their small business brethren are having their credit cut off as we speak. Did somebody say something about an economic stimulus? Who for? Nothing the government has done helps the people who need it most.

The sad part is, I don't see either of the presidential candidates doing much better by Main Street. Nearly half of the respondents to our poll (49%) admitted they did not know which presidential candidate had the best program for small businesses, while substantially more (80%), had no idea where Senators McCain and Obama stand on the issue.

Among small business leaders, McCain leads Obama by a margin of 38% to 21%, with 32% undecided. Their ambivalence comes as no surprise, because, as far as anyone can tell, the issues facing small business are barely a blip on either candidate's radar.

In the vision-impaired eyes of our politicians, a little family-run bakery in Dayton, Ohio doesn't count. Yet it's businesses like these that create 60% of the nation's jobs. The small business sector is clearly an economic engine and it's stalling. It's time to get it re-started.

George Cloutier is founder and Chairman of American Management Services, Inc., the leading consultants and turnaround experts for small and mid-sized businesses. A magna cum laude graduate of Harvard, and holder of an MBA from Harvard Business School, Cloutier is one of the most sought after experts on small business by government agencies and corporations around the world. He is also one of the most colorful denizen's of "Richistan," Robert Frank's New York Time's bestseller.