

**Statement by George Cloutier
June 10, 2008**

Obama and McCain Choose to Ignore 23 Million Small Business Owners

Last Time We Checked, Their Votes Count Too

Wall Street Fat Cats Mismanage Yet Get \$400 Billion Bailout . . . Main Street in Crisis Gets Zero

Why Aren't Presidential Candidates Addressing the Needs of Main Street?

The race for the White House has finally entered the general election. Over the next five months U.S. Sens. Barack Obama and John McCain will duel over topics including national security, foreign policy, gas prices and patriotism. What you won't hear from them is a frank discussion about the growing problems confronting this country's 23 million small business owners each and every day.

A recent study found that more small businesses filed for bankruptcy in April than in any other month since the new bankruptcy laws took effect in 2005. Business bankruptcy filings rose by 5,173, or 49 percent, in April, the largest increase this year, according to a report from Jupiter eSources, which monitors court records. Total bankruptcy filings, including those by individuals, were up 31 percent from April 2007, to 93,096, the report states.

Perhaps the reason why the candidates have yet to lock horns on this issue is that neither has a detailed, comprehensive plan to end the widening crisis that sees more and more hardworking, entrepreneurial Americans lose their dreams and shutter their way of life.

In an April 10 speech to small business leaders in New York, Sen. McCain paid great lip service to the industry, calling it the "engine for economic growth in America" and correctly stating that small business creates the majority of new jobs in the country every year. He praised those in attendance for their ingenuity, perseverance and hard work . . . and then proceeded to speak in hollow platitudes about teaching workers new skills and restructuring unemployment insurance.

McCain offered no details, no blueprint as to how he would help small business owners TODAY. Generalities make for good political theater; they stir up hopes of a better, brighter



tomorrow, but they do not – they do not – solve problems. Then again what should we expect from a man who, while running for the highest office in the land, admits he doesn't understand the nation's economy?

Sen. Obama's stance is slightly more encouraging, in that he sort of has one. Obama promises to help the country's small businesses by cutting healthcare costs (ho-hum, we're not holding my breath), improving access to capital (how and how much?) and investing in innovation and development (again, how and how much?), according to documents on his campaign Web site.

While the presumptive Democratic nominee's roadmap to recovery is long on ideas, including several the industry has demanded for years, it is short on substance. Where is the beef? The laundry list of policy items that need attention under Obama's vague solution ensures that small business owners will not receive relief now, not in his first 100 days and maybe not even in his first term. I commend Sen. Obama for mentioning the crisis but we see no signs of serious action, just talk.

Credit for emerging small businesses has dried up and liquidity for existing companies has been all but choked off. Businesses have not only become cautious about hiring but have even begun reducing their workforce as inflation skyrockets and the cost of common expenses like gas continues to climb.

The country's small business industry needs a \$25 billion economic stimulus plan and it needs it now. Washington must demand through legislation if necessary that financial institutions and credit lenders loosen their iron grip and allow everyday small business men and women access to capital. Small businesses should be allowed, as Wall Street tycoons are, to borrow at 2.26 percent. In addition, a disaster relief fund should be created for our construction industry. The Small Business Administration's budget should be quadrupled and a vastly expanded program implemented where proven small business advisers teach business owners how to navigate our nation's rocky economy and what they should do if and when such conditions reoccur.

Many people ask, "Why aren't our alleged leaders doing more for small business?" The plain and simple truth is small businesses do not have effective representation in Washington. They do not have fat cat lobbyists or consultants on their payroll. Most small business owners we know are concerned about surviving the next six months, making their payroll, paying back bank loans and fighting the effects of declining business due to the recession.

One of the only small business advocates in Washington, the NFIB, which touts itself as the industry's leading association, believes today's tighter credit conditions have not impacted small businesses.

There's "hardly a credit crunch" on Main Street, William Dunkelberg, NFIB's chief economist told *The St. Louis Post-Dispatch* on June 2.

Earth to Bill and the NFIB: "When are you coming home from MARS? Get off the rover and look around. The 22.5 million small business owners who don't belong to the NFIB need help."



Wall Street is getting bailed out while Main Street is struggling. It is time the presidential candidates realized that speaking in platitudes won't end this crisis; neither will promising the moon. Cheaper health insurance and alleged tax relief will not cut the mustard in this economy. Most of the 23 million small business owners that are on Main Street are fighting for survival and the presidential candidates are ignoring them and the problems they face, at the nation's economic peril.

A Call to Action

For the past 25 years, small business programs have received leftover scraps from the federal budget buffet. What we are proposing is a sea change in the way our elected leaders and bureaucrats treat the 23 million small business owners who are our nation's engine of job creation and economic success.

Making up for decades of neglect will cost money, time, energy and commitment. "Benign neglect" only begins to describe the shoddy, uncaring treatment of the nation's small business owners by the federal government and elected officials:

- 1-Create a \$10 billion dollar economic stimulus plan for small business.
 - Package of guarantees, direct loans and technical assistance.
- 2-Create a multi-billion dollar disaster relief package for the construction, transportation and restaurant industries and all services affected by the recent economic turndown.
- 3-Re-institute loans for higher risk clients directly from the SBA.
- 4-Require banks to do more, expand small business loans.
- 5-Instead of 75-80 percent loan guarantees make it 100 percent so banks can expand their loan portfolios.
- 6-Allow small businesses to borrow 2.26 percent for every emergency, short periods of time as Wall Street has been permitted.
- 7-Quadruple the SBA's operating budget to \$3 billion annually (5 times existing).
- 8-Expand micro loans and size limits to minorities and women owned businesses.
 - The current administration has capped the number and size of micro loans resulting in small business being forced to the private sector; these loans carry interest (similar to the Pay Day Loan Business) of 33 percent to sometimes 200 percent interest. Due to this policy, a whole usurious financial industry has been created which takes advantage of hardworking small business men and women.
- 9-Make sure that the new administration awards the \$100 billion + to small business, mandated by the recent court rulings.



-Cut back dramatically the set aside contracts that are now going to big business through a multitude of their subsidiaries.

10-Substantially expand technical (management assistance) to small business.

11-Create a full time Small Business Success Corps modeled after the Peace Corps which would place 5 thousand full time recent college business graduates into the community to work full time on practical solutions to the small business community.

12-Substantially expand recent court direction on improving the abilities of women owned businesses to get set asides.

13-Consolidate all government functions from loan portfolios in the Department of Agriculture, etc., into a single operating department with an 800 number (i.e., 1-800-smalbiz) for all needs and easy to use Web site.

###

George Cloutier is founder, Chairman and CEO of American Management Services and Chairman of Partner America(tm). American Management Services specializes in the implementation of turnaround and profit improvement programs for small and mid-sized companies. For more information, please contact American Management Services at 800.743.0402 or visit the website at www.amserv.com.

Currently, Cloutier also serves as the Co-Chairman of PartnerAmerica™, a public/private partnership between the United States Conference of Mayors (USCM) and American Management Services, Inc. PartnerAmerica™ is dedicated to helping small and medium-sized businesses in cities nationwide by focusing on improving profits and sales, utilizing local and federal governmental resources and programs in conjunction with management and technical expertise provided by private enterprise. American Management Services and USCM recently signed an unprecedented 20 year extension to this strategic initiative.

The opinions expressed are solely the opinions of the author and do not reflect the views of American Management Services or PartnerAmerica™ or the United States Conference of Mayors

John Cpin
SVP of Communications| Westin Rinehart
2001 Pennsylvania Avenue NW | Suite 250
Washington, DC 20006
202.466.3050 ph | 202.466.0777 fax
www.westinrinehart.com