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Byron Williams: Time to help the small businesses that are truly small

By Byron Williams
Oakland Tribune contributing columnist
Posted: 02/23/2011 04:00:00 PM PST
Updated: 02/23/2011 05:40:23 PM PST

A POPULAR ruse in our political discourse is the use of the term "small business."

This is a term that invokes thoughts of a mom-and-pop establishment, individuals who have followed the impulses of their entrepreneurial spirit.

According to the U.S. Small Business Administration, nearly two of three new jobs are created by so-called small business. But before we are overcome with longings for a "Mayberry" redux, we examine this wily subterfuge.

There is clearly a disconnect between the use of the term small business by elected officials, the public's understanding and the federal government's actual definition.

It is incumbent to ask: what is a small business?

The Small Business Administration defines a small business as:

- One with 500 or fewer employees for most manufacturing and mining industries (a few industries permit up to 750, 1000 or 1,500 employees).
- One with 100 or fewer employees for all wholesale trade industries.
- One with \$6 million per year in sales receipts for most retail and service industries (with some exceptions).
- One with \$27.5 million per year in sales receipts for most general and heavy construction industries.
- And one with \$11.5 million per year in sales receipts for all special trade contractors.

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our country's small business definition with that of the European Union, which pegs it at fewer than 50 employees. Australia narrows it to 15. As a result of the U.S. criteria, the SBA concludes 99.7 percent of the approximate 6 million businesses with employees in America are small businesses.

Why do we let elected officials get away with using the "small business" euphemism to discuss companies that can have as many as 1,500 employees? I suspect the aforementioned data is not the image that many hold when they hear an elected official tout their commitment to such enterprises.

Moreover, the government definition of small business has proved prohibitive to many of the actual mom-and-pop institutions. I have spoken to many small business owners bemoaning that it is much easier for those small businesses that do not need a small business loan to obtain one.

Meanwhile, those small businesses that are truly small are left to hobble along in the midst of a tenuous economy with an uncomfortably high unemployment rate.

The problem is the majority of incentives (which include primarily tax breaks, loans and workforce development) are geared more toward those businesses that represent the antithesis of what most view to be a small

business.

According to the SBA, 80 percent of small businesses employ 10 or fewer. Instead of allowing the incongruent gap to exist between the image most hold of small business and the government's official definition, what can be done to aid those businesses that are small by everyone's standards?

I'm certain when Rep. Paul Ryan's asserted in response to President Barack Obama's recent State of the Union address that "the safety net has become a hammock," he was referring to the billions in federal subsidies enjoyed by multinational corporations.

The majority of agricultural subsidies do not go to hardworking independent farmers, but rather to support agribusinesses like Archer Daniels Midland. ADM's 2009 revenues were reported at \$69.2 billion.

According to the Cato Institute, in 2006 the federal government spent \$92 billion in corporate subsidies. The beneficiaries include IBM, Dow Chemical and General Electric.

These three corporations had collective revenues of roughly \$223 billion in 2009.

Why does the federal government continue to subsidize corporations already in position to fend for themselves? Are we



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Why does the federal government continue to subsidize corporate energy in preference to small businesses? How do we believe this is the only way multinational corporations can compete globally?

Why not transfer (that's right a redistribution) what the government currently subsidizes for multinational corporations to small businesses with 10 employees or fewer so that they can hire one additional worker?

Not a tax break, but a subsidy. We need an inverted order that shifts resources to businesses that need it the most during challenging economic times.

This is an idea that could lower unemployment, spur the economy and support those small business entrepreneurs who fit the image that most Americans hold.

Contact Byron Williams at 510-208-6417 or e-mail him at byron@byronspeaks.com.

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