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An Open Letter to Federal Reserve Chairman Ben Bernanke

08/30/2010 08:05 pm ET | Updated May 25, 2011

 Like 11**Lloyd Chapman** 
Small business advocate

I read your speech from Friday at the Federal Reserve Bank of Kansas City Economic Symposium in Jackson Hole, Wyoming. In the speech you stated, "the Committee is prepared to provide additional monetary accommodation through unconventional measures if it proves necessary, especially if the outlook were to deteriorate significantly."

(<http://www.federalreserve.gov/newsevents/speech/bernanke20100827a.htm>)

It appears we are sliding into another recession and I have a simple suggestion that will redirect more money into the middle class and create more jobs than any policy proposal the Obama Administration has put forth to date. Since you acknowledged that you are willing to take extraordinary measures, why doesn't the Obama Administration consider not giving federal small business contracts to Fortune 500 firms, foreign companies and other large businesses? I realize that you control monetary policy, but as the nation's chief economist, and as one who advocates for fiscal policy, you could have an impact on this issue.

In March of 2005, the Small Business Administration (SBA) Office of Inspector General released Report 5-15, which states, "One of the most important challenges facing the Small Business Administration and the entire Federal government today is that large businesses are receiving small business procurement awards and agencies are receiving credit for these awards." (<http://www.asbl.com/documents/05-15.pdf>) The SBA Inspector General has listed this problem as the number one management challenge facing the agency for the past five consecutive years. (<http://www.sba.gov/lq/onlinelibrary/tmc/index.html>)

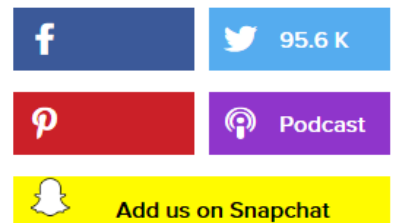
Since 2003, there have been over a dozen federal investigations which have found Fortune 500 firms and thousands of large companies around the world have received federal small business contracts. Some of these firms are: Lockheed Martin

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received federal small business contracts. Some of those firms are: Lockheed Martin, Boeing, Raytheon, L-3 Communications, British Aerospace (BAE), Northrop Grumman, General Electric, Booz Allen Hamilton, Thales Communications, General Dynamics, and Dell Computer. (<http://www.asbl.com/documentlibrary.html#5-15>)

According to the US Census Bureau and the Small Business Administration Office of Advocacy, small businesses create over 90 percent of all net new jobs. When it comes to creating jobs, the focus must be on small business.

(<http://www.sba.gov/advo/research/rs359.pdf>)

It is not surprising that the Obama Administration's economic policies are not working. They are intended to create jobs, but are completely ignoring the small businesses that create all new jobs and employ over half of the private sector workforce, create over half of the nation's gross domestic product (GDP), are responsible for over 90 percent of the nation's exports, and generate over 90 percent of new innovations.

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Not only has the Obama Administration shortchanged small businesses with stimulus funds, but also information released by the Obama Administration clearly shows that every month President Obama has been in office, billions of dollars in small business contracts are being diverted to large businesses, Fortune 500 firms and multinational corporations.

An even bigger problem is that on Friday, the Obama Administration released its fiscal year (FY) 2009 small business contracting data and claimed to have awarded over \$96 billion, or 21.8 percent, in federal contracts to small businesses. In reality, of the top 100 recipients of small business contracts, 60 were large businesses that received 65 percent of the total contract dollars. In addition to diverting billions of dollars in federal small business contracts to large businesses, the percentage of awards to small businesses was also dramatically inflated by using an acquisition budget that was less than half of what it actually is.

(http://www.sba.gov/idc/groups/public/documents/sba_program_office/govt_wide_2009.pdf)

The actual federal acquisition budget for domestic, foreign, unclassified and classified contracting is well over \$1 trillion a year. The Small Business Act currently states that small businesses are to receive not less than 23 percent of the total value of all prime contracts, which would be over \$230 billion a year.

I am sure that 99.9 percent of all Americans would agree with me that the government should not be giving small business contracts to some of the biggest companies in the world. I think it is time for President Obama to honor his 2008 campaign promise, where he stated, "It is time to end the diversion of federal small business contracts to corporate giants." If you are sincerely interested in turning the economy around, just do what the law says, and simply give small businesses the portion of federal contracts that they already should be getting under the law. It is time to end the diversion of federal small business contracts to corporate giants.

President Obama could achieve this by executive order, SBA policy, or by signing the Fairness and Transparency in Contracting Act, H.R. 2568, into law.

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