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THE BLOG

Obama Ignores Prime Opportunity to Help Prevent Double Dip Recession

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Small business advocate


As I predicted in my August 6th and August 24th Huffington Post blogs, President Barack Obama has decided to continue the Bush Administration policy of diverting billions of dollars a month in federal small business contracts to Fortune 500 firms and corporate giants around the world. He has also continued the Bush Administration policy of waiting eleven months after the end of the fiscal year to release the small business contracting data, and then issue the press release late Friday afternoon to limit media coverage and scrutiny of the data.

The tactic works quite well in slashing media coverage. It is unlikely you will see any coverage of the issue in the mainstream media. You will not see a single White House Correspondent asking tough questions about the data.

Most importantly, President Obama has missed his best opportunity to really stimulate the economy and create millions of new jobs by redirecting over \$100 billion a year in existing federal infrastructure spending to America's 27 million small businesses. Small businesses are the backbone of the U.S. economy, creating a majority of net new jobs. If President Obama had chosen to end the Bush Administration policy of diverting federal small business contracts to corporate giants, it would have done more to prevent a double dip recession than any existing stimulus program.

Compare President Obama's one time shot \$30 billion small business lending bill to a policy that would redirect over \$100 billion a year in existing federal infrastructure spending directly into the private sector for decades to come.

An analysis by the American Small Business League (ASBL) found that of the top 100 recipients of Obama Administration small business contracts, 60 were large businesses, which received 65 percent of the funds awarded to those firms. Some of

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the firms the Obama Administration considered to be small business included, 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/documents/ASBL_2009_dataanalysis.pdf)

In addition to diverting billions of dollars a year in federal small business contracts to many of the largest firms in the world; Obama officials overstated the percentage of awards to small business by as much as 300 percent. This inflation was accomplished by dramatically under reporting the actual federal acquisition budget. The actual federal acquisition budget is over \$1 trillion when taking into account all foreign and domestic acquisitions and all classified and unclassified acquisitions. In calculating the percentage of awards to small businesses, Obama officials used an acquisition budget figure that is less than half of the real number.

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Federal law requires a minimum of 23 percent of all federal contracts to be awarded to small businesses. Based on the actual language in the Small Business Act, American small businesses should receive a minimum of \$230 billion in federal contracts each year.

Using the actual federal acquisition budget, and by excluding firms that would not currently qualify as small businesses, the Obama Administration awarded less than 5 percent of all federal contracts to legitimate small businesses.

Depending on the data you use, small businesses are responsible for between 66 percent and 97 percent of all net new jobs in America. A report by the Kaufman Foundation found that nearly all net new jobs were created by firms that were less than 5-years-old. According to US Census Bureau data, 98 percent of all U.S. firms have less than 100 employees. These 27 million firms employ over 50 percent of the private sector workforce and generate over 50 percent of the gross domestic product. They are also responsible for over 90 percent of all U.S. exports and over 90 percent of innovations.

Any economist will tell you, redirecting existing federal infrastructure spending to America's job creators is the best way to stimulate the nation's faltering economy and create millions of net new jobs.

President Obama could achieve this by issuing an executive order or by having the Small Business Administration (SBA) adopt policies to halt the diversion of federal small business funds to large businesses. He could also support H.R. 2568, the Fairness and Transparency in Contracting Act. H.R. 2568 is based on language in the Small Business Act, which defines a small business as being "independently owned," which literally means not publicly traded firms. H.R. 2568 is a seven and a half page bill that simply states the federal government can no longer report awards to publicly traded firms as small business awards. H.R. 2568 is a free and easy economic stimulus bill, which is deficit neutral. It is a perfect solution that would end a decade's worth of small business contracting abuses, while at the same time stimulating the national economy.

Any politician that will stand by as our national economy slips closer to another

recession by allowing the continued diversion of billions of dollars a year in federal small business contracts to corporate giants, should be thrown out of office as soon as possible, and we will have our chance to in November.

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