

## Were We Lied To?

The well-respected Center for Economic and Policy Research (CEPR), led by economist Dean Baker, has conducted an in-depth study of small business growth in the industrialized "first world". The study soundly debunks the myth that the United States has historically been a magnet for small-business creation due to its unfettered and unrestricted small business development policies and laws.

Incredibly, the United States is actually near the bottom in every measure of small business creation. The United States has the second lowest share of self-employed workers, at 7.2%, leading only lowly Luxembourg in this category. The French economy, often the target of ridicule for its purportedly anti-free-market tendencies, is above the United States, at 9.0%. The United States also ranks poorly in other measures: it has among the lowest shares of employment in small businesses in manufacturing. These findings are dramatic, and underscore the continued destruction of manufacturing in the United States and the industry consolidation occurring as a result of big-box retailing and non-retailing enterprises. Competitively, US small businesses are traditionally unable to compete against big-box national retailers for market share, a less significant problem in other industrialized economies.

Interestingly, the CEPR believes that the United States' comparative anti-competitiveness is largely due to the high-cost of the US healthcare system, which makes health care largely unaffordable to small businesses. The rest of the world's "rich" economies have some form of universal access to health care, and small business owners are freed from the burden of this significant worry. The long-term cost of this deterrence to small business formation will be costly, as small business creation will remain weak and ineffectual, notwithstanding the "spin" and hyperbole associated with this facet of our economy. If the United States is unable to resolve its health-care dilemma, it will pay a very heavy price, as most of its workers will become dependent on the relative generosity of big-box America.

Link to Study:

<http://www.cepr.net/documents/publications/small-business-2009-08.pdf>