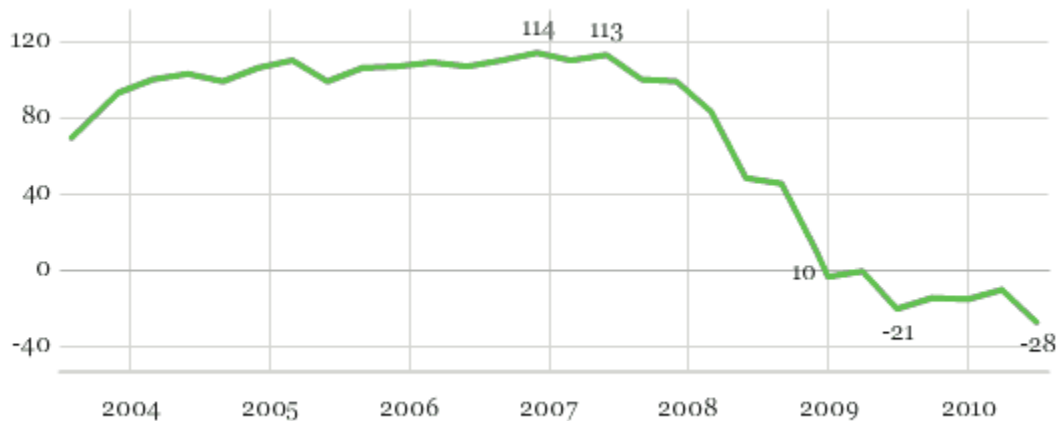


## STATUS QUO NOT SUSTAINABLE WEB BUZZ 2010.08.09

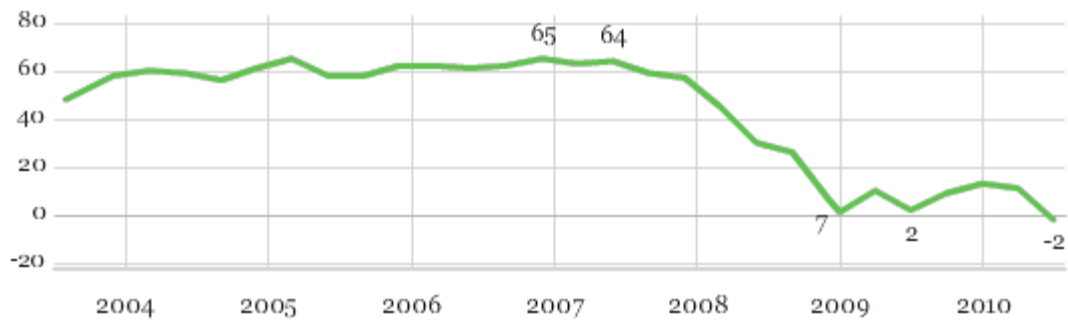
Small business (Main Street) is clearly the step-child of the economic policy of the current administration. They bailed out Wall Street (both Bush and Obama), threw trillions of dollars at those entities that are union rich (boy is that an oxymoron), and what do we have to show for it? Trillions of dollars of new debt and a recovery that is the weakest in modern history. Not only that, but the recovery, such as it is, is now turning downward.

Of course the really bad news in all of this is the fact that big business is doing quite well on a profits basis. Why? Because they have cut costs (people) to such a degree that margins are quite good. Why is this bad news? Somewhere between 70%-80% of all new hires come from the small business sector and they frankly are scared to death of what the future holds. Please note the two charts below. The first is the Small Business Index covering the period from August 2003 to July 2010. The second, being a part of the first, depicts future expectations.



August 2003 to July 2010

Adapted from Mish's Global Economic Trend Analysis



Adapted from Mish's Global Economic Trend Analysis

Just what is small business worried about? (1) The Bush tax cuts are expected to be allowed to expire. This will cause costs to escalate. (2) There are thousands of regulations to come from the finance bill passed and, of course, the socialization of health care. (3) Many small businesses have been left out of "shovel ready" stimulus items as labor unions are favored. One could go on and on - what about cap and trade?

The Europeanization of this country leaves only the large, well entrenched private-sector companies and government to do well while the rest of us (Main Street) are left twisting in the wind. Wall Street seems to like this state of affairs (stock market), but let there be no mistake - this condition is not sustainable.