

Anna Villani
Professor Englehardt
9 December 2011

The National Bureau of Economic Research (NBER) declared the economy to have slipped into a recession in December 2007. This declaration was induced mainly because the NBER observed a depreciation of the labor market in 2008. Employers cut payrolls by 1.7 million jobs in the beginning of 2008; economists predicted another 325,000 jobs to be lost in November 2008.

It is widely known that jobs get hit hard during recessions. The loss of jobs only deepens the recessions, which results in more losses of jobs.

Although the economy is now out of the recession, the effects of it are still perceived by many. Most people who lost jobs during the recession cannot immediately get them back when the economy is declared to be out of a recession. It takes time for them to get back to where they used to be financially.

So, how can we quickly pull the economy out of the vicious cycle and create the least amount of damage possible?

We need something that will not eliminate jobs when the country's economic status starts to slip. That something is small business.

Let us first consider a large corporation. Because of its size, the value of one employee is inconsequential. So when the corporations are losing money due to recessions, the easiest thing for them to do is eliminate jobs.

Contrary to corporations, the value of an employee in a small business is much greater because each one has an important role in keeping the company running. So during a recession, a small business cannot afford to eliminate jobs.

During the recent recession, some individuals who had been laid off decided to start a business or buy a franchise in order to sustain an income. In 2009, 1 in 10 people who gained employment gained it by starting a business or buying a franchise. This not only created jobs for themselves but for others as well.

Small business, defined as a company with fewer than 500 employees, accounts for 65% of new jobs.

Small businesses are predicted not only to bring the economy out of recessions but to produce overall growth as well. Businesses created from scratch create innovative ideas that can lead to an increase in total factor productivity. Also, small business owners tend to take more pride in their work than corporations. This results in their products having higher quality and greater efficiency.

However, there is a problem small businesses face. According to the Small Business Administration's Office of Advocacy, half of small businesses fail within their first five years, even in non-recessionary periods.

The reason for this is that small businesses have to compete with large corporations. Large corporations have the ability to reduce their prices, which firms cannot compete with. Small businesses eventually will go under because they cannot create enough revenue to sustain their business.

Small businesses need to be given the chance to show what they can do for the economy. Being humble, they have the ability to take better care of their customers, be unique and inventive, and produce superior products. Also, they have the potential to keep the economy on stable ground.

According to the business cycle, it is only a matter of time before the economy falls back into a recession. Eventually it will come out of it, but it will still affect a large number of people in the long run.

During the recent recessions, the government lent out billions of dollars to large corporations that were on the brink of failure. However, the government should be more focused on giving aid to the businesses that will create jobs and help the economy out of the recession.

It is time to give small businesses a fair shot at success. Large corporations hold the power to control the market for a good. In order to let small businesses flourish, the government needs to focus on getting capital for small businesses rather than large corporations.

If we reduce the number of corporations, the number of small businesses will rise. During the next recession, fewer jobs will be eliminated. This will result in the recession being shorter and deterring fewer lives.