



**Insight**

# Small Business and Recovery

DOUGLAS HOLTZ-EAKIN | JUNE 8, 2010

It is conventional wisdom that small businesses are the key to economic recovery. In light of this, today's NFIB small business optimism index is little comfort.

- The reading – 91.2 – is well below the long-run average of 100 and is consistent with recession-level readings.
- The housing market and small businesses are tightly interwoven. Housing starts are well below their peaks – and building houses is a small business activity. And small businesses are no longer able to borrow against the diminished values of their homes.

With these strong headwinds policy should not make things worse. Unfortunately, higher taxes, heavy regulation, health care “reform”, financial regulation reform and large deficits are moving in the wrong direction.

The bottom line: There will be no silver bullet for small business hiring. Optimism will respond best to a commitment to small, contained government and opening markets to stronger competition in the U.S. and abroad.