

Desperate for entrepreneurs

Amy S. Choi

With a 22% unemployment rate and the second-highest foreclosure rate in the country, Merced County is pinning its hopes on small business.

On sunny afternoons, Lucy Whittle can be found tending the lawn at the First Baptist Church in Los Banos, a small town of 35,000 on the western edge of Merced County, in the heart of the San Joaquin Valley of Central California. Her husband, Melvin, is the pastor there, and she has a warm smile at the ready for church members and neighbors alike. But she'd rather be working.

Whittle is one of the thousands of unemployed in Los Banos. Rather than look for yet another job, though, she has another future mapped out—as a small business owner. She is poised to launch a trucking business, with an 18-wheeler, permits, and a driver at the ready. But she and Melvin can barely make ends meet on his \$32,000 salary, and she can't afford the \$15,000 insurance policy necessary to get her truck on the road. "It's such a tiny amount of money," she says. "But it may as well be \$15 million right now."

She's not alone. Entrepreneurs and small business owners in Merced County are facing dire times, and seeking financial assistance to help them stay afloat or, in Lucy's case, get up off the ground. The cities want to help them. Local authorities, in fact, are pinning their hopes on entrepreneurs to help create jobs and restore economic health in the region.

Support for startups

Organizations such as the Merced County Economic Development Corp. (MCEDCO) are working with individual city economic developers and the local Small Business Administration outpost to provide support and advisory services for small companies and startups. Some agencies, such as the Los Banos Redevelopment Agency, which works in the western area of Merced County, are able to provide some microenterprise loans of up to \$50,000 to help people start businesses.

Merced College, meanwhile, received a planning grant to build a program for entrepreneurial studies at its campus, which it hopes to have up and running this fall. Eventually, it hopes to build a business incubator. Its goal, says Benjamin Duran, president of the college, is to reach the hundreds of "grey economy" businesses, such as vendors who sell foodstuffs from their home or crafts in flea markets, and grow them into legitimate growth businesses with employees. "It'd be nice to get a big employer, but we believe it may be more effective to provide small businesses the resources to grow," says Scott Galbraith, president and chief executive of MCEDCO. "The vast majority of the 5,000 businesses in the county are small companies. If we can get just half of them to hire one person, there are 2,500 jobs right off the bat, rather than working for 10 years to get a large employer into the region."

But while these programs aim to support entrepreneurs, what small business owners in Merced County really need is financial relief, and it's scarce. Despite the business-planning and financial guidance provided by organizations like MCEDCO, the SBA, and city economic developers, small business owners will founder without a financial lifeline in the form of loans, refinancing opportunities, or grants.

Ghosts towns of abandoned homes

The region desperately needs those entrepreneurs to succeed. In Merced County, the idyll of small towns nestled between dairy farms and almond fields masks deep financial despair. It has a 22% unemployment rate, double that of the state of California as a whole. It has the

second-highest foreclosure rate in the country. As of April, official reports count more than 7,000 homes foreclosed across the county, creating ghost towns of abandoned houses and partially finished construction. Thousands more are poised for foreclosure as soon as a state-wide moratorium on foreclosures in California lifts, in June. Home prices, which were at record highs a few years ago, plunged 42.3% in 2008, and are continuing to fall. Because of its poverty, it has often been called the Appalachia of the West.

Appalachia, though, never had such high hopes. Developers in Merced County added an estimated 60,000 new housing units between 2002 and 2008, anticipating explosive growth from commuters from the Bay Area and the new University of California campus, which opened in Merced in 2005. But building a university is a slow process, and though the school has injected more than \$410 million into the local economy since 2000, it has brought just 1,690 employees—or possible homebuyers—into Merced, which is the largest town in the county, with about 80,000 people. When the national housing market crashed, it crashed particularly hard in the county, where nearly all of the new wealth was concentrated in those homes. The collapse coincided with a drought in California, which led farmers in the region to leave fields fallow and lay off employees. The dairy industry, another major employer in the Central Valley, faced its own contraction with a fall in milk prices and drop in exports.

It's common rhetoric: Small businesses are the backbone of our economy. Entrepreneurs will pull the economy out of the recession. But without some assistance, whether that comes in the form of financing, refinancing, or debt relief, it seems all but impossible that entrepreneurs such as Lucy Whittle will be able to thrive, much less carry the rest of the economy on their shoulders.

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