



Too Big To Fail?

It seems that we have accepted the term “too big to fail” as a standard description for large organizations in serious financial trouble. Our nation appears to have gone along with bailing-out banks, insurance companies, automobile companies and next – well, we just don’t know yet, but the groundwork has been put in place to save just about any large dying enterprise or industry. Should we just rollover and accept “too big to fail” as a new American financial reality? I think not.

Our nation was born on principles of political, personal and economic freedom. Our system of free market capitalism has led to long term sustained growth which, in turn, has made us the strongest nation on earth. We have a wealth generating system that is the envy of the world. If we monkey with the economic freedoms that got us here, we run the risk of curtailing the process that made us so successful.

Free market capitalism is a wild, never ending roller coaster ride filled with ups and downs – that is the nature of long term wealth creation. Boom and bust cycles are part of the process and we should expect industries to come and go and businesses to be born and die. Whether you like it or not, that is the system that produces our economic strength.

Government’s historic role has been as rule maker, scorekeeper and referee. We must have transparency, honest reporting, and clear communication from and among businesses, investors and government. We need federal regulators to do a thorough job auditing and reporting. We need government that is consistent and predictable. We don’t need more laws and regulations – we have more than enough today. Our courts resolve disputes and punish those that do not play by the rules. And, we have bankruptcy courts to handle bankruptcies.

If your business is failing, it is failing – face it. Go to the bankruptcy court and work through the process. When I ran a business, the fear of possible failure inspired me to work harder and smarter. I knew that if the business failed, no one would bail me out. That is how the system was designed to work and has historically worked.

General Motors is in serious trouble – Penske buys Saturn, a Chinese company buys Hummer and more pieces will undoubtedly soon be sold. Then GM gets its financial house in order through reorganization or liquidation, and this should be the end of the story. Unfortunately, our government has seen fit to own and probably subsidize GM. The last time our government did something similar it was called Amtrak which we now subsidize to the tune of \$1.3 billion annually (\$30 billion since 1970.) That should get your blood boiling.

When some of our big, mismanaged banks were on the verge of failure, our government scared us into believing that these banks were simply “too big to fail.” Maybe government was right or maybe it was wrong, but we will never know now that we, the taxpayers, contributed untold billions (or maybe trillions) to prop up these sick institutions.

“Too big to fail” is not good business. “Too big to fail” is simply not the American way.

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