

Last week marked the one year anniversary of the arrival of Covid-19, prompting some reflection on the state of the Canadian economy, and in particular hard-hit small businesses. As the article in **Investment Executive** <[here](#)> summarizes, debt and retirement concerns are weighing heavily on small business owners, with almost three-quarters struggling to service growing debt and pushing out retirement plans. The drop in revenue from pandemic shutdowns has caused a drop in the value of their business, meaning that higher liabilities are compounded by lower asset values. Worryingly, many small business owners have had to withdraw money from their retirement savings to finance their businesses.

More than two-thirds of Canadians are employed by small business owners -or about 8.4 million of us. So collectively small business is *big* business, and yet provincial and federal governments have done little to help them through this crisis. Programs including CERB and CRB have provided income support to idled employees during Covid, but there was no equivalent for businesses facing steep losses. The poorly-designed Canada Emergence Commercial Rent Assistance (CECRA) required the consent of the landlord, and as such failed to help small business owners struggling to keep their storefronts open. Interest free loans for up to 2 years from the Federal government have bought businesses some time, but they are a loan, and will add to the financial burden facing business owners by year end. Ominously, according to the Canadian Federation of Independent Businesses, one in six businesses are at risk of permanently closing.



*"That's where we differ. You'd eat cat food, but I wouldn't touch dog food."*

Capitalism is a dog-eat-dog system of economic organization that has given Canadians some of the highest standards of living in the world. In the struggle to produce the best product and the best price, competition brings innovation and productivity. Not all businesses survive, but those that do capture the market share of competitors and get bigger and more profitable. The role of government is not to pick winners, but rather to *create the environment within which entrepreneurialism can succeed as a whole*. This is not happening and Covid-19 represents an existential risk to small businesses and millions of Canadians who depend on them. Governments must do more here, and failure to do so would be catastrophic to the Canadian economy.

Forgivable loans, tax deferral, rent subsidies, the elimination of source deductions and a re-writing of the tax code to allow businesses to deduct loan payments -not just the interest on loans- would combine to help businesses survive the pandemic. The cost to provincial and federal treasuries would be small compared with the total collapse of the small business sector. Vaccines are coming, but will they arrive in time to help? In the meantime, let's all do our part to help our local businesses. Spending your money at the shop the corner from you will help your community -and ultimately you too. And the next time you're eating at your favourite greasy spoon up the street, tip big.

Be safe, be well!

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