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How to help small businesses create jobs? Break up the big banks

By: DALE R. KLUGA July 10, 2015

Jamie Dimon is our best **big-bank CEO.** But so what? Has JPMorgan Chase, or for that matter, any big-bank CEO, done anything material relative to their own balance sheets to restore fair lending to our most important source of job creation? Small businesses in the U.S. generate more than 60 percent of GDP but the biggest, trillion-dollar banks continue to ignore this significant source of job creation.

Despite emotional ads by those banks touting their support for small business, all fall short when it comes to allocating assets to this critical market. The big banks lend out less than 1 percent of their balance sheets to small business. If they don't properly support the one industry that can generate more job growth than any other sector of the economy, then what meaningful public purpose do they serve as federally insured institutions?

Our country's financial system needs diversification and the freedom to expand without insurmountable regulation. There simply is no feasible economic or political solution to eliminating excessive regulation while these banks continue to exist. Breaking up the trillion-dollar banks will stimulate small-business lending and job growth. Even if you don't believe in that approach, their size will create more uncontrollable material risk at some future flash point—despite even the best big-bank CEO on the planet.

The U.S. community bank infrastructure does not have the resources to be the main source of small-business loans. The primary way to create small-business job growth is to safely provide significant loans and capital to small-business operators on fair and reasonable terms. The reality of our political and regulatory environment is that big banks indefinitely will be held prisoner to egregious regulatory standards irrespective of the billions in fines and their massive amounts of capital.

Big banks are better off being broken up for not only political reasons but, more important, for risk diversification and safety reasons. No matter how much capital they raise and how large their compliance staff, big banks will continue to ignore the needs of small-business borrowers because the trillion-dollar banks are too inefficient to generate sufficient returns on small-business loans. Big bank regulatory standards will continue to make it even more prohibitive to lend to small business on any meaningful scale even if the big banks wanted to.

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