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The current euphoria of Wall Street and the carry over effect on the restaurant industry

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Like a lot of you, I watch the recovery of the stock market with amazement. Most of the stocks in my 401K have a long way to go to get back to par. I see the daily, weekly stock reports and articles touting this apparently sustainable recovery as evidenced by some well-known names beginning to show signs of making money. I guess there are people out there who don't want to miss the rise and are recommitting some of their savings back in. Or, is it simply the churning of funds by the financial institutions?

Yet as you watch TV, you see an unending stream of advertisements encouraging the accumulation of gold as a hedge against the inevitable financial collapse of our economy. Then you see the news reports that even though our country's deficit is in the stratosphere and that we've subjugated our country to the financial whims of the Chinese and, to some degree Russia, yet our Congress of lemmings is expected to follow the President off the cliff of catastrophic ruin by intending to insure 20 - 30 million people in this country including, and specifically the huge number of illegal aliens. All this is to be accomplished without increasing the national debt and no new taxes on those earning less than \$250,000. Excuse me, is there something wrong with this picture.

In the same way, you can look at the restaurant industry. If you go out to dinner on a Friday or Saturday night you'll normally wait a half hour or more to be seated. If you are in the habit of having breakfast on the way to work in the morning, any morning, you'll find most places busy, if you don't bring a brown bag to work for lunch, you'll see sandwich, lunch places jammed. If you stop by Panera Bread, the Ninety-Nines, the Kowloon, Pizzeria Regina, the Joe's American Bar & Grills, and the multitude of restaurants in the North End you have to ask yourself where the recession is. With almost 10% of the population unemployed, the cost of raising a family and educating your children on a continual rise how are people able to afford to support restaurants. The answer is pretty simple... we avoid the painful, fantasize about the future, and believe that the government will continue to support us. Why save, why cut back, when there's a two -for-one lunch at Season's Steakhouse?

The truth of the matter is that there are restaurants that continue to make money and grow. But, from my perspective as a restaurant broker, I've seen the results of several recessions over the last 30 years helping owners get out of the restaurant business and replacing them with those that want in. Fortunately there's that wonderful entrepreneurial spirit that drives Americans who want a better life. Since we all need to eat every day, being in a position to satisfy that need seems to make sense. You don't need a college degree, you don't need eight years of experience; all you need is your life's savings, a commitment to working hard, and a lot of good luck.

What I see today is that the bigger, full service restaurants have seen their head counts drop dramatically and they subsequently struggle to reinvent themselves to stay alive.

I see a huge influx of people who have lost their jobs, or who are unsure of the stability of their employment, buying food franchises. When you don't have experience, but do have cash, a franchise can be the best solution. For many, many people the food industry can be the best place for a career. "Look around at all those people waiting in line."

However, like the stock market, there are underlying problems that can decimate the restaurant industry.

There is a great disconnect between local, state, and federal officials and food service operators. "For the good of the people (and the activists and lobbyists) we must impose the new regulations." Eliminate trans fats, eliminate salt, tax sugary drinks, tax alcoholic beverages, give employees more paid sick leave, tighten restrictions and impose stricter penalties on wage issues, provide health insurance for your employees, full or part time, increase minimum wage, and make it easier for your employees to join a union. "Damn the cost to operators, we need to protect the people." These are just some of the issues that restaurant owners are facing down the road. For information on any of these issues go to www.consumerfreedom.com.

Don't get me wrong, having owned and operated a chain of pizza pubs, it was the best business I could have gotten into. Restaurants can be a panacea for all that ails; franchises can be God's gift. One must enter this industry with proper advice, guidance and sufficient financial reserves to weather foul weather.

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