

Progress of Minority Business: An Update

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I have been asked to give a progress report on minority business and an update on where we are today and where we are headed, with possibly a little bit about the future. If we look back over the past four years, we can probably see the whole picture of what has been happening in minority enterprise. In the previous 200 years minority enterprise remained at an almost completely horizontal level. The vertical movement started to occur only in the past few years and has taken place in spite of inflation and difficult economic times. During this time — since 1969, for example — minority businesses have grown some 40 percent. Since 1969 there has been an increase in retail sales of 30 percent, and in gross receipts of 34 percent.¹ For 1977 we anticipate total gross receipts of minority business of about \$32 billion. By 1982 that should double to \$64 billion. So the minority business impact is starting to be noticeable.

During the past few years we've also seen growth in national institutions; for example, savings and loans institutions have increased in number from 43 to 78 since 1969, and from \$350 million to \$800 million in assets.² Minority banks have increased from 24 banks to 71 banks currently, and from \$290 million to \$1.3 billion in assets. Life insurance companies have grown from \$2.5 billion in insurance in force to a projected \$12 billion next year. Construction offers tremendous opportunities, also. Construction by minority businesses has grown some 16 percent annually since 1973. I think these are important figures. Maybe now we're going to get the evidence that minority businesses aren't the "mom and pop" operations they were perceived to be, and that they are getting into industries that have much greater pay-off and much greater benefits.

It's important to develop new markets, and I think they are developing. Only a small amount of goods and services, some \$40 million, was purchased just a few years ago by major corporations from minority firms. Next year's goal is \$1 billion from corporate sector firms.³ Federal procurement from minority firms has grown in just the last few years from

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¹U.S. Bureau of the Census, Special Report Minority Owned Businesses, February 1975.

²Special Reports by the U.S. Treasury.

³Report of the National Minority Purchasing Council, Projection for 1977.

\$10 million to \$700 million annually. This expands those markets, and such expansion usually leads to further opportunities for growth. Minority businesses are playing an important role even in these most difficult and critical times.

We've attempted to move into exciting new areas such as technology utilization, urban commercial revitalization, and railroad revitalization. All offer minorities opportunities as well as problems. Urban commercial revitalization should have been started 20 years ago, but not until recently has some effort been made to deal with the revitalization of our urban neighborhoods. Technology utilization is an interesting program. No coordinated Federal effort has been made to provide technology for new developments. The Office of Minority Business Enterprise has moved in this area and has made arrangements, both with Federal agencies and with the private sector, to generate opportunities for minorities to have a ground-floor start on new products with potential markets.

During these times of change — and changes have been made as the program has developed — we have also encountered many problems. There are always going to be problems in promoting minority business enterprises, because until they are participating equally with other businesses, an accelerated pace of promotion will be necessary. We've had to deal with problems that relate to the deterioration of our central cities, the declining real income across the country, and the changes in the balance of the cities when industries move from the north to the south. Such moves create problems as well as opportunities. For example, when I spoke in Memphis about a week ago I had the opportunity to meet with a group of minority individuals, and learned that no minority firms had yet been able to make a sales agreement with the new industry that had moved into that part of the state.

A more basic problem is the decline in importance of entrepreneurial spirit in this country. Today 9 million small businesses represent 95 percent of all U.S. business firms. The government defines as "small" any business with less than \$7½ million in assets or \$250,000 in net annual income. The balance of the country's capital is tilting to the big companies, and only 1½ percent of the work force is self-employed or owners or managers. I think we have to be concerned with this trend since it concerns our basic values. We lose the stimulation of the economy which only new and small businesses can provide. Access to capital for small business is difficult to obtain, and that should be dealt with. Present government policy does not necessarily encourage small business either, by providing quota systems to help minority enterprise. Tax incentive plans do not necessarily encourage investment in new enterprises. And I think this brings us to the basic differences among the small businesses that we deal with in Federal and other agencies.

We at the Office of Minority Business Enterprise consider ourselves the promoters or the advocates of the development of minority businesses. The Small Business Administration provides a retail source for financing for small business. We concern ourselves with providing the major ad-

vocacy for obtaining private as well as Federal resources. We have learned over a number of years that minority businesses have been overdependent on set-aside markets. While we think that such markets are important for minority businesses to start with, it's very dangerous for a minority business to depend on a set-aside market as a major source of business. We think we have done an inadequate job of generating enough private and outside resources for those businesses to create the independence needed for that business to survive and become successful. In terms of the development of new businesses, it is important not to go back to where we started four or five years ago. At that time minority enterprise activity was primarily concerned with starting new businesses, packaging businesses, and getting bank approval. Now we have to think in terms of starting a business related to the atmosphere in which that business is going to be living. I think that that's very important. We no longer can afford to start businesses in a vacuum simply on the basis of receiving a business loan or an approval. I think this is a very bad error. In order to start a business today we have to look at the entire environment, study the market potential down the line, to insure that that business is going to survive and be successful.

Among the factors that have contributed to the success of minority enterprise over the past few years is the successful partnership between the government, the private sector, and the community. Look at what's been happening. Look at what the Office of Minority Business Enterprise has been able to do and create, what local leaders, minority leaders as well as non-minority leaders, have been able to provide in the form of support for this type of activity. When we look at what private majority corporations and individuals have done to generate this interest; at what President Ford and his administration have done to support this program over the years; at what Congress has done by generating a national debate on how to use minority enterprise — not on whether it should be done — then we see that this partnership has created one of the most exciting programs that the Federal Government has engaged in.

Admittedly, the Federal Government has failed time after time to generate programs with sufficient impact on communities. Federal programs that have been based on a give-away aspect or some kind of a hand-out program are never really accepted by the American people. But minority enterprise, in my opinion, is a program that does pay off. It's one of the few programs with interesting cost-benefit figures. It's one of the few programs that provides an opportunity for people to do something and receive something in return. It provides an opportunity to give the community something long-lasting, and that is, allowing people to become employers rather than employees — an opportunity that has made this country as strong as it is. I can assure you that I will continue to work in the minority enterprise effort, that I will continue to support this concept, because to me as a taxpayer this is probably one of the most exciting things that I could do.

Oftentimes one hears the question of what is going to happen in the future. I told you that the President and the administration, particularly the Secretary of Commerce, had given this program strong support. I can also report that Congress has given this program its strong support. Four sessions ago no bills were introduced in Congress that affected minority enterprise to any degree. And then three sessions ago there were two bills. Two sessions ago there were eight. During this last session 17 bills have been introduced in Congress that have an impact on minority enterprise. What does this mean? This means that a national debate has started on how to improve on this minority enterprise concept. This means that there is momentum, and this momentum is carried on beyond the Congress to the communities. What has happened over the past few years in the communities? An awareness has been created, so that minority leaders and business persons are going to demand that this program continue because it has been so popular. And the reason it's so popular is because it's so successful. It's not a give-away program or a civil rights program or an equal employment opportunity program. It is a business program that gives minorities an opportunity to participate in America's most exciting experiment: free enterprise.

The Federal Reserve Bank of Boston deserves a lot of credit, because institutions like it have provided the opportunities. These institutions have made the cutting edge that's necessary to make others aware that something can be done. They have been leading the country in this respect, and their continued support is very necessary. I encourage the Federal Reserve Bank of Boston to keep up the good work: to continue to review its deposits by the banking industry and the savings and loan industry; to encourage the support by the banking industry of the Small Business Administration bank loan and guarantee program and the Minority Enterprise Small Business Investment Corporation program; to encourage support of the National Minority Purchasing Council, which has a billion dollar goal next year; to encourage support of the insurance industry for the \$5 billion increase in insurance in force deposits for minority insurance companies; to encourage the greater use of minority business development organizations, the business development organizations, the Construction Assistance Center, the Business Resource Center and all of those groups that the Office of Minority Business Enterprise and the Small Business Administration have been supporting in this area; to continue giving them support and to demand better performance from them, because only that way can we survive and make progress.

I strongly believe that the commitments that are made to minority enterprise will continue. I think that the administration can't help but give this program a great deal of support. I certainly think that the next Congress of the United States is going to give it a great deal of support. The minority enterprise program, in my opinion, is not going to disappear. It will expand — and not just because we want the Federal system to get bigger. I think we will expand at a very high level — so that five, ten, or

twenty years from today, we will no longer need a Minority Enterprise Agency. Then the Federal Government can step aside. And then the private sector and the communities can work together to provide all Americans and American business with the great, great support that this country really needs.