

Introductory Remarks

Frank E. Morris, President *Federal Reserve Bank of Boston*

This is the 17th in our Conference Series. For each of our conferences the Federal Reserve Bank of Boston has tried to select an issue important for the future, and to gather a group of people with expertise on the subject matter. Subsequently we publish a volume of the proceedings of the conference which we hope will be a contribution to the literature on the subject. About six months ago Ken Guscott organized a meeting of black businessmen in Boston to try to identify the issues of greatest concern to minority business development. The structure of this conference reflects the decisions made at the meeting. I am pleased to see that we have such a distinguished turnout for this conference, and I am particularly pleased that the Governor of Massachusetts is with us today to begin our program.

The Honorable Michael S. Dukakis, Governor *Commonwealth of Massachusetts*

Thank you very much, Frank, and thank you all. I'm going to be very brief because this is not a session or a day in which we want to listen to a lot of politicians. It's a day for work and a lot of constructive deliberation and, I hope, some very good, solid recommendations for those of us on the political front, who can then begin to implement them for you and with you. But let me first just say how pleased I am to be here and to join with Frank Morris, Ken Guscott, and all of you in this conference. The Federal Reserve Bank here in Boston has been an enormous asset and source of strength to all of us in state government over the course of the past 22 months, while we've been struggling with some fiscal and economic decisions on the state level. I can only say that this conference seems to be just another example of what can happen when you have that kind of creative leadership at the Bank on a regional basis.

Some of the seeds that have been sown by the Bank in this region can begin to flourish and grow under the kind of leadership and in the kind of environment and atmosphere that, I believe, we're going to see in Washington, particularly as it relates to the Northeast. Many of you know that Frank, Dick Syron, and others from the Bank joined us in Saratoga with people from government and the private sector from eight northeastern states, for a very important two-day conference on the special economic problems of the Northeast and our hopes for national action to

deal with them. But even during that conference, a number of us — myself included — were attempting to sound, if not a warning note, at least a moderating note on the subject of massive Federal assistance to the Northeast or to any other area of the country.

I think it's very important that we meet in conferences like this to discuss and work on solutions to special problems, whether they're regional problems or problems of small business and minority business, or whatever, and that we prepare an agenda that is realistic and achievable and that works. Those of us in state government obviously have an obligation to use the resources at our command to deal with these kinds of problems at the regional level. As many of you know, we've been struggling mightily and with some degree of success, I might add, not only to correct a great many mistakes here in Massachusetts that were of our making — not somebody else's — and to get this state moving economically, but at that same time to do some things as part of that economic development effort which are tailored to the problems of small and minority business.

Here in Massachusetts over the last couple of years we've been able to do a number of significant things. There may be others that we should be doing, and that's one of the reasons why I'm looking forward to the results of this conference and to your recommendations. We transferred our State Office of Minority Business Assistance out of the Community Development Secretariat and into our Economic Affairs Secretariat so as to make it a part of the economic development effort of the State. That's a structural change, but is already bearing fruit. There was no reason to have that small business and minority business office sitting up there in the housing agency, if I can use that term, when in fact we're trying to pull together all of the pieces of our economic development effort and our minority business effort has to be a very important part of it. We were able, with the help of our Office and strong support in the Legislature, to win passage of the Small Business Purchasing Act, which for the first time in this state provides for a 5 percent set-aside in effect for small and by implication, minority business. We are now in the process of implementing that Act. I signed it just a few weeks ago and with the help of the State Office of Minority Business Assistance we're going to attempt to implement it in a way which will provide real support for small and minority businesses.

Many of you are familiar with my Affirmative Action Executive Order, which was signed last year, and which, assuming that the good people in the Urban Massachusetts Transit Administration will move on it, is now in a position to provide substantial employment and business opportunities for minority contractors in what will probably be a billion dollar investment in construction in the metropolitan transit system of this state. Although somebody down there is apparently hung up about our 30 percent guideline, I hope that they will move things as quickly as possible, because we have literally miles to go before we have a transit system that we can be proud of. And with all the interstate highway money that

Congress has now made available to us for transit construction, it's absolutely inexcusable that we lose a week, let alone a month, as we squabble over what is a state-imposed and state-initiated minority business and minority hiring requirement of that program.

We've also been able to win passage by the Legislature of a couple of bills creating two financing mechanisms: our Massachusetts Industrial Mortgage Insurance Agency and, more specifically, the Community Development Finance Corporation (CDFC), which is designed to provide state funds on either a loan or equity basis for businesses, particularly in our older urban communities. Last fall the CDFC was funded with a \$10 million bond issue, which will now be made available for specially targeted sensible and promising investments, particularly in such older urban communities.

Now that's just what one state has been doing to try to utilize its resources and its talent to aid and strengthen the cause of minority business, here in the State of Massachusetts. But I'm sure I don't have to tell any of you in this audience that despite all of these efforts at the state and regional level and whatever can be done at the national level, the most important single thing which will aid minority business is improvement in the overall economic health of the country. I'm not suggesting that an improvement in the economic picture may not bypass certain important groups in our society, particularly minorities who oftentimes are passed by even when there is general economic improvement in the country. However, there is nothing like a strong, vital, growing national economy to support and undergird these specialized efforts that you and I are going to be making on behalf of small and minority businesses.

I'm very encouraged by the attention that the President-elect is already paying to matters economic. I think we're going to see an action plan or program, whether it's a tax cut or a speed-up in processing of already authorized and appropriated funds for Federal programs, or a combination of the two, just as soon as Mr. Carter becomes President. But I think that if we expect our new national leadership to do the kind of job that will provide real opportunity for minority citizens and minority businesses in our country and in this region, we must come in with our own practical agenda, one that we can reasonably expect the new administration and Congress to undertake and to accomplish with our support and our help. And I only say, again, that I'm delighted that you're meeting here in Boston; I'm very, very pleased with the leadership that our Federal Reserve Bank of Boston has taken in putting this conference together, and we'll do everything we can, Frank, to support and implement your recommendations. If state government can do it, fine. If we must go to Washington in a coordinated and collective way to make it happen at the national level, then I'll be very pleased to join you in that effort. Thank you very much for having me and thank you for having this conference.

Frank E. Morris

Ken Guscott is the inspiring force behind this conference. Ken, in addition to running his own business, Ken Guscott Associates, is involved in a great many public affairs, including service as a Director of the Federal Reserve Bank of Boston. When Ken came on board I told him that I wanted to get some action on our Affirmative Action program; and I can tell you, if you want somebody that prods you and keeps things moving, you can't get a better man on your Board than Ken Guscott. This Conference is his idea. He has participated in the planning from the very beginning, so I think it would be very appropriate to ask him to come up and give us a little keynote talk.

Kenneth I. Guscott, Director *Federal Reserve Bank of Boston, and President, Ken Guscott Associates*

Thank you very much, Frank. My task is very easy, because we have such capable people to do the job that has to be done. I'd just like to give you a little bit of background, and then get on with the job that we're here for. I was asked to be a Director of the Federal Reserve Bank about three years ago, and at that time I was busy in a lot of other things. Because Frank has served on some of the boards that I had asked him to serve on, I said I would serve on the Board at the Federal Reserve Bank, but I would not be the token black director. Andy Brimmer can tell you that we've had many debates when we get together on the subject of: "Are you the black director or are you the director who happened to be black?", and I guess we'll continue to argue that question until we are long past being directors and it's not of any importance.

The important thing is that once you're on a board you use the power that is in that board. And that's why we're here today. We're here because the Federal Reserve System is a respected institution in this Nation and can serve as the catalyst for bringing together minority businessmen. And I stress that point. We're pulling together those who have to meet that payroll every Friday and don't know where they're going to get their next dollar to do it. We want to dwell on the problems as they see them, and we want to set up an order of priorities. As the Governor said, we want to come up with things that are obtainable and achievable. And to do this, the first thing that we did was convene the heads of the seven minority business organizations in the Greater Boston area to meet with us at the Bank and to tell us what their problems were. The problems may be a little different from what the academicians say they are.

The heads of the organizations told us the number one priority problem of the minority businessman in this region is crime. Now this was

long before the police report of two weeks ago, but crime was listed as the number one priority: first, because the shopkeepers on Blue Hill Avenue, on Morton Street, and on other streets have insurance costs five times higher than shopkeepers in other districts; second, they have to have steel grillwork and electronic surveillance devices around their buildings — these cost money; and third, people are afraid to come into their shops and instead go downtown and shop at Filene's. When you start putting these pieces together, you see their problems.

The second order of priority is access to the market place. By access to the market place we mean an equal opportunity to compete in the American system. Some of our minority vendors, who have been trying to supply goods and services to the majority communities, have found out that they cannot compete with the existing system until they have equal access into the system. So that's priority number two.

The third order of priority concerns our minority contractors. The private sector has led the way, and the greatest dollar volume of minority business in this region is now with minority contractors. The U.S. Department of Transportation under Bill Coleman as the Secretary also led the way by saying "Yes, we will spend close to \$1 billion in the northeast sector." The Federal Government has now provided by statute that the minority businessman shall have an opportunity not just to have something given to him, but to compete. So that is priority number three.

Now how do we tie this all together? The Federal Reserve System's primary role is to determine and set monetary policy. I suggest to you today that a secondary role of the Federal Reserve System could be to use its resources both to deal with the problems delineated by minority business people and to serve as a catalyst to pull together other resources to deal with these problems. I contend that one of the reasons that we've had a lot of racial problems in this country is because we have never been able to identify our problem areas correctly and to identify the resources that can deal with them. And I'm convinced that here in America we can deal with any problem that we make up our minds to deal with. Thank you very much.