THE NATIONAL FOUNDATION FOR TEACHING ENTREPRENEURSHIP

NFTE-WASHINGTON, D.C.

ADVISORY BOARD HANDBOOK

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FOR FURTHER INFORMATION REGARDING THE NFTE-WASHINGTON, D.C. DIVISION, PLEASE CALL (202) 944-5290

8/95

NFTE WASHINGTON, D.C. ADVISORY BOARD HANDBOOK
(Working Draft as of 8/14/95)

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AGENDA FOR THE NFTE-D.C. ADVISORY BOARD MEETING

Date:	August 22, 1995
Time:	8:00-9:30am
Location:	Koch Industries 1401 I Street, NW Suite 300

I.	Welcome & Introductions	8:00-8:15am
II.	48 Hours Feature	8:15-8:20am
III.	Building the NFTE Movement -presented by Steve Mariotti- President and Founder NFTE and the NFTE Executive Committee	8:20-8:35am
IV.	NFTE in D.C. Goals and Objectives for 1995 -presented by Julie Silard- Divisional Director NFTE-D.C.	8:35-8:50am
V.	Overview of Koch Industries Strategic Involvement with NFTE -presented by Arianne Duddy- Program Officer for Entrepreneurship	8:50-9:00am
VI.	Role and Responsibilities of D.C. Advisory Board - Structure and Requirements, Breakfast briefings, and Committees	9:00-9:15am
VII.	Open Forum	9:15-9:30am

NOTE: The NFTE "Back to School" Board meeting is scheduled for September 19th from 3:30-5:00pm with a lite dinner reception to follow with the NFTE-D.C. teachers. This meeting will be held at Koch Industries at 1401 I Street, NW, Suite 300.

FUTURE FULL BOARD MEETINGS: September 19 (3:30-5:00pm followed by dinner), November 15th (8:00-9:30am location TBD), January 18th (8:00-9:30am- location TBD), March 20th (8:00am-9:30am location TBD)

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Divider Title: B

NFTE-Washington, D.C. Advisory Board

Denise Rolark Barnes
Editor,
Washington Informer

Walter Benson
Professor of Entrepreneurship,
Georgetown University

Armando Chapelli, Jr.
Chief Executive Officer,
The Washington Consulting Group

Cheryl Cooper
Chief of Staff,
American Association of Retired Persons

Arianne Duddy
Program Officer for Entrepreneurship
Charles G. Koch Charitable Foundation

Crystal S. Ettridge
Vice President, Business Develop.,
Image Communications

Sharon French
President,
French's Fine Southern Cuisine

Nina Gaskin
Supervising Director of Marketing
Education,
DC Public Schools

The Honorable Eric Holder
United States Attorney, DC
US Department of Justice

Cathy Hughes
Chief Executive Officer,
WOL-AM Radio

Terry Jones
President,
Syndicated Communications, Inc.

Dolores B. Landry
Vice President,
Associate Consultants, Inc.

Henry Lee
President,
Inner Circle Enterprises

Floretta McKenzie
President,
McKenzie Group

Gaynor McCown
Senior Policy Analyst,
Domestic Policy Council

The Honorable George W. Mitchell
Deputy Presiding Judge of H. Carl Moultrie
Courthouse,
DC Superior Court

Arthur D. Rogers
President and CEO,
National Technologies Corporation

Andrew Sherman*
Attorney at Law,
Greenberg Traurig

Dick Sheppard
Program Manager,
Presidents's Committee on the
Employment of People with
Disabilities

Dr. Franklin Smith
Superintendent,
DC Public Schools

Vickie Tassan
Senior Vice President,
Nation's Bank

Donald Temple**
Attorney at Law,
Temple Law Offices

*Chairman, NFTE National Board of Directors

** Chairman, NFTE-D.C. Advisory Board

Young Entrepreneurs of Washington, D.C.
3325-B M Street N.W. • Washington, D.C. 20007
(202) 944-5290 • FAX (202) 333-5639

Expected Commitment of D.C. Advisory Board Members:
Time, Knowledge, Network, and Finance

I. Time
-6 meetings and one special event per year
-Visiting classroom once a semester
-Participation as desired on business plan competition

II. Knowledge
-Occasional counsel relating to area of expertise

III. Network
-Introduction of NFTE to key contacts via NFTE Briefing breakfast or face-to-face meetings.

IV. Finance
-Build NFTE-D.C.'s capacities to serve 10% of youth born into poverty (age 12-17) by the year 1998 by growing NFTE-D.C. into a $850K- $1M a year Division expanding on the philanthropic leadership of the David Koch Charitable Foundation. Your financial support (personal or corporate) of NFTE on any level is greatly appreciated and will assist in leveraging of additional outside funding.

Structure and Requirements:
The NFTE Washington D.C. Advisory Board
August 22, 1995

- The name of this advisory board is the Advisory Board of the National Foundation for Teaching Entrepreneurship Washington, D.C. Division (NFTE-D.C.). It is hereinafter referred to as the NFTE-D.C. Advisory Board.

Mission of Advisory Board

- To advance the mission of NFTE by serving as advisors to the Divisional Director, staff, and students of NFTE in their area of professional expertise and to positively represent NFTE-D.C. to their industry and community.

Member Selection

- Must have a commitment to NFTE's mission
- Must have business or other experience related to advancing NFTE's mission
- Any Advisory Board member can recommend potential Advisory Board members to the Divisional Director. The Divisional Director with the assistance of NFTE-National has the authority to invite potential members to join the D.C. Advisory Board.
- The Advisory Board will not exceed 20-24 members without Advisory Board approval.
- Advisory Board members shall serve terms of two years and may be reappointed.

Meetings

- The Advisory Board shall meet no less than six (6) times a year
- Members are requested to attend at least four (4) regular Advisory Board meetings per year

Special Events- *(i.e. breakfast briefings, receptions, awards ceremonies)*

- Each Advisory Board member is requested to attend or host at least one (1) special event per year

Removal

- Any member may be removed by the Divisional Director (in conjunction with NFTE-National) for conduct not in the best interest of the organization

Resignation

- Any Advisory Board member may resign at any time, via written notice to the Divisional Director

Compensation

- Advisory Board members shall not receive any stated compensation for their services; however, nothing herein contained shall be construed to preclude any Advisory Board member from serving the NFTE-D.C. Division in any other capacity and receiving reasonable compensation

I WOULD LIKE TO JOIN THE FOLLOWING D.C. ADVISORY BOARD COMMITTEE(S):
note: you may join more than one.

BUSINESS DEVELOPMENT.

- Responsibilities include: Fundraising, marketing, networking PR, and program innovation. Minimum (4) meetings per year. Will develop special "working groups" on as needed basis.

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FOLLOW UP & PROGRAM IMPLEMENTATION.

- Responsibilities include: Mobilization of resources to develop high quality follow up plan to expand opportunity to NFTE graduates (i.e. higher education, expanded business opportunities, mentoring/student support...) in addition to supporting and expanding ongoing programs. Minimum (4) meetings per year. Will develop special working groups on as needed basis.

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REGULATORY REFORM AND GOVERNMENTAL RELATIONS COMMITTEE.

- Responsibilities include: Support policy initiatives that do not hamper entrepreneurship, or specifically facilitate the process of young people going into business (i.e. development of inexpensive vendor's licenses geared toward youth market, retail opportunities in key D.C. locations), and in addition mobilize key officials that can help advance our mission. Minimum (3) meetings per year.

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EMERGENCY SUPPORT COMMITTEE.

- Responsibilities include: Mobilization of resources and support for NFTE students and graduates during personal and/or professional crisis. Meetings to occur on as need basis.

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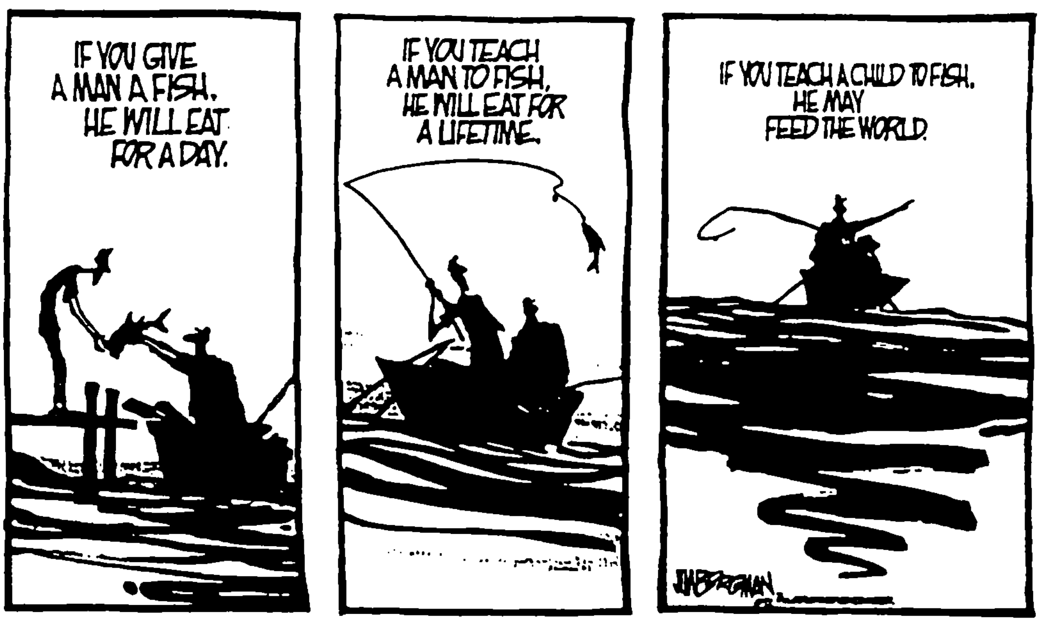
Divider Title: **C**

National Foundation for Teaching Entrepreneurship

The Young Entrepreneurs of Washington, D.C.

Sponsored by: The David H. Koch Charitable Foundation



NFTE-D.C. GOALS:

- To serve 1,850 young people living in poverty in D.C. by 1997 (10% of target population in NFTE Core or Fundamentals programs plus 1,000 youth exposed to entrepreneurship). Resources required estimate a $850K-$1 Million dollar Division.

- To develop strong follow up programs serving the needs of NFTE graduates such as: ongoing retail opportunities for young people to sell, support policy initiatives that facilitate young people going into business, lifeskills workshops and other key projects open to all NFTE-D.C. graduates

- To work closely with the D.C. Advisory Board, David Koch Foundation, D.C. Donors, and NFTE National to develop D.C. as a demonstration model division (locally, nationally, and internationally) for the power of entrepreneurial training to at-risk youth

NFTE-D.C. OBJECTIVES:

- In order to expand on achievements of Mr. Kevin Greaney (now Assistant Director- NFTE Business Development) who helped launch the D.C. Division, there are three key themes to focus on:

    1] Student Services (quality program performance)

    2] Student Follow up Programs

    3] Mobilization of D.C. Leadership and Resources

NFTE-D.C. STRENGTHS

- Compelling mission with proven track record at national and local levels

- Continued support and seed funding from David Koch Foundation as well as ongoing support from Koch Industries staff members

- Excellent team of qualified teachers

- Commitment and vision of Steve Mariotti (President and Founder), Lou Sussan (Executive Director and COO), Mike Caslin (Managing Director of Business Development), NFTE National Board of Directors and Julie Silard (Divisional Director- Washington, D.C.) to run quality, successful programs and positively impact D.C. youth

- Excellent D.C. advisory board with tremendous potential for participation and input

- Ongoing positive local and national media stories

- Industry leading curriculum and program innovation

NFTE-D.C. STRENGTHS (CONT.)

- Brandeis University external evaluation is in progress and can lead to leveraging increased funding and program expansion on a national and local level
- NFTE University- Executive and teacher training programs offered to all D.C. Staff

NFTE-D.C. IMPROVEMENT AREAS

- Structured follow up programs for NFTE-D.C. graduates serving all sites
- Expand program sponsorship opportunities to leverage the philanthropic leadership of the David Koch Foundation
- Expand communication efforts to business, media, community based and political arenas to increase visability, awareness, and appreciation of NFTE's mission

NFTE-D.C. OPPORTUNITIES

- Increase number of NFTE-D.C. sites in following markets-wider penetration within D.C. Public Schools system (per Dr. Franklin Smith), Juvenile Court (per Judge Mitchell), outlying suburbs, and other community based organizations (i.e. Boys and Girls Clubs, TransCen, etc.).

- A successfully implemented NFTE-D.C. Division can become a national model building on location --the Nation's capital-- and access to key business leaders, politicians, media and community based organizations.

- Expansion of PR opportunities and innovation through hiring of Fleishman Hillard (Harry Fraser and Selim Bingol).

- Mobilization of existing and new potential resources (i.e. Advisory Board, Koch Industries and contacts, additional funders, Vicki Hughes assistance, NFTE National and Business Development office...)

- The NFTE Washington D.C. team expects to serve over 400 youth in the 95-96 school year through the NFTE Core and Fundamentals Programs. In addition to host exposure sessions to introduce over expose 600 youth to the power of entrepreneurship.

NFTE-D.C. OPPORTUNITIES (CONT.)

- Potential for Summer Bizcamps, volunteers, mentors, and interns through partnerships with top Universities in D.C.

- Advisory Board hosted breakfast briefings, receptions, and events to create awareness and potential program sponsorship.

- Mobilize resources to reform governmental regulations that deter young people from going into business.

COMMUNITY ISSUES
THAT IMPACT OUR ABILITY TO SUCCEED

- Government regulations and requirements that deter young people from entering the marketplace.

- Competition- other non-profit organizations competing for small pool of funding.

- The financial lure of the illegal drug industry to young people.

- The level of crime and personal safety concerns directly relates to a young persons ability to develop a small business

National Foundation for Teaching Entrepreneurship

our Mission

NFTE's mission is to introduce at-risk, inner-city youth, including the physically challenged and those in detention, to the world of business and entrepreneurship. Through special training programs, NFTE teaches these young people how to create and maintain their own small businesses.

Our mission is predicated on the belief that inner-city youth have extraordinary potential for business success and possess the qualifications characteristic of successful entrepreneurs: mental toughness, the willingness to take risks, resiliency and a natural sales ability.

By taking the mystery out of business and making it interesting, NFTE seeks to encourage the economic participation of this neglected segment of our population - in their own communities as well as in society at large. Through their own initiative as entrepreneurs, they can perhaps, begin to realize their dreams.

Who We Are:

The National foundation for Teaching Entrepreneurship to Handicapped and Disadvantaged Youth, Inc. (NFTE) is a national, nonprofit organization that introduces at-risk, inner-city youth, including the physically challenged and those in detention, to the world of business and entrepreneurship.

Through the teaching of basic business and entrepreneurial concepts we hope to foster economic literacy as well as instill a sense of motivation and self-esteem. Students learn reading, writing, math and verbal-communication skills at the same time that they are learning how to create and maintain a small business.

As these practical skills are developed, they also learn about honesty and responsibility, and the rewards of persistence and hard work.

Although not everyone can or should be a business owner, the training we offer can be for these young people a catalyst for economic independence, and psychological, emotional, and spiritual well being.

National Foundation for Teaching Entrepreneurship

what we do

youth training:

Programs range from one-day workshops to five-month school term programs, meeting three to five days per week for a 40-minute period.

***what students learn:**
- How to develop and write a business plan
- How to write business letters and memos
- How to read the *Wall Street Journal*
- How to prepare a resume
- How to prepare a basic contract
- How to open a bank account
- How to sell merchandise at public flea markets
- How to register a business with appropriate local municipal agencies
- How to design business cards, posters and flyers
- How to develop sales skills through simulated presentations

***field trips:**
- Tour banks and municipal agencies (such as those involved with business registrations)
- Visit wholesale outlets to purchase products for resale
- Tour the financial district and stock exchange
- Visit local small businesses.

***ten business concepts** students learn (among others) are:
- Supply and demand
- Time management
- Business ethics
- Budgeting
- Business and entrepreneurship theory
- Financing a business
- Time value of money
- Employee ownership
- Franchising
- The business plan

teacher training:

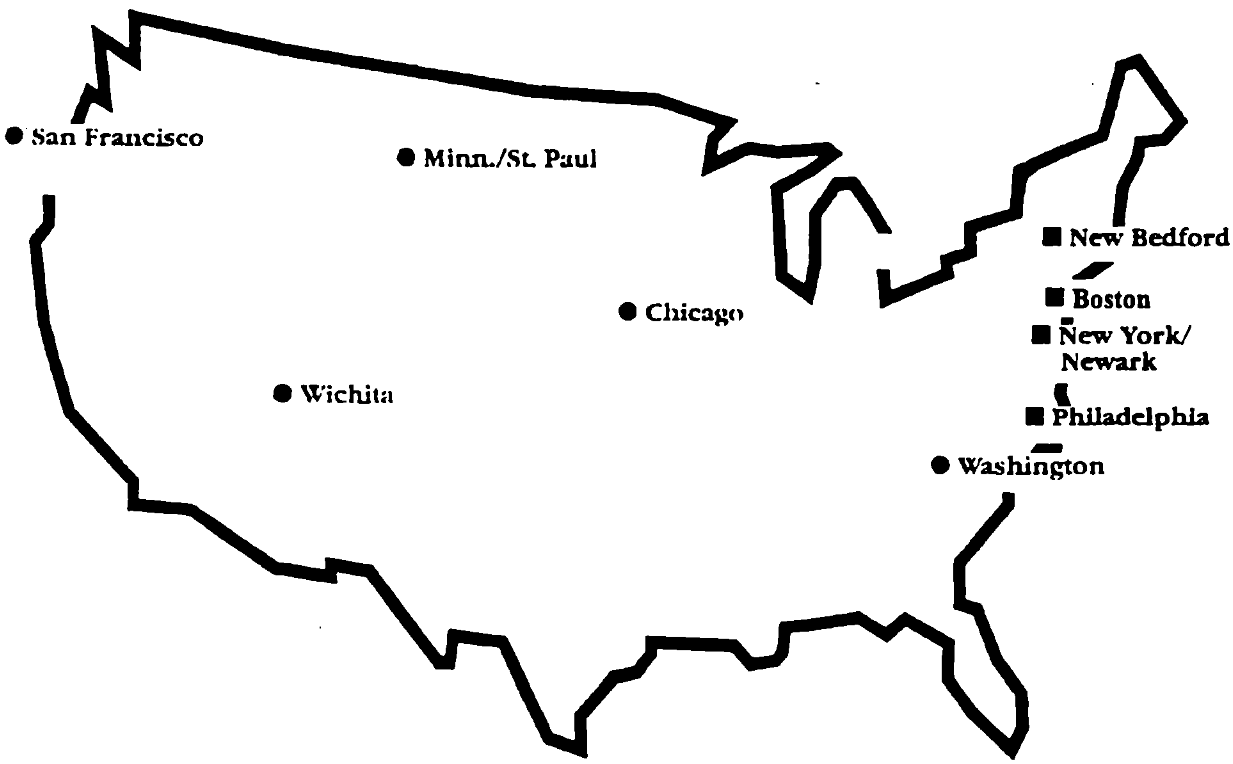
Seminars range from one to five days and participants can choose only exposure training or the full program director training.

In an effort to replicate our programs nationwide, NFTE has begun conducting seminars and workshops in several cities throughout the United States to introduce teachers, youth workers, business people and others, to youth entrepreneurship education. NFTE trains participants how to teach business to inner-city youth and how to use it as a way to motivate and inspire these young people. Workshop participants learn NFTE's method of youth training, which includes its 50-lesson workbook as well as other educational materials developed by NFTE.

* in a fully-funded program

National Foundation for Teaching Entrepreneurship

Map of program sites



National Foundation for Teaching Entrepreneurship

SOUTH BRONX

student profile

Tywana Frye

Tywana Frye, 17 years old, came to Jane Addams Vocational High School to study cosmetology and to develop a talent she believed she had for anything having to do with hair and beauty. She knew, however, that she also needed a part-time job to help her develop this business.

To her surprise, one day she found herself at Addams Apple. There was her part-time job, she thought. But it would prove to be much more: after working in the store for a while, Tywana decided to change her major from cosmetology to business. She also joined the Entrepreneurship Club.

She currently serves as store manager. She says her duties as cashier, placing orders, pricing merchandise, training new student employees, displaying merchandise and keeping the financial records helped her gain the experience that led to her becoming manager.

In addition to her academic and retail commitments, Tywana does find the time maintain a small business, Maleska Items, that sells stuffed animals, perfumes, and other items and novelties. She has saved $100 and plans to increase her sales by 50% in the coming year. If she does, she says she will hire others to work for her by posting flyers throughout the school and the community.

This is what Tywana has to say about the program: "Joining the Entrepreneurship Club and being able to work at Addams Apple has been a very different, very exciting and rewarding experience."

During 1992, she will act as consultant to Juan Caimiro, (an NFTE instructor and coordinator of NFTE's programs at I.S. 218) for the school store that is being planned there.

National Foundation for Teaching Entrepreneurship

NEWARK
student profiles

Danah Foster

After completing an NFTE entrepreneurship class at Central High School, Danah began a very small business, Danah's Candies. When she thought she was ready for bigger endeavors, Danah decided to act on her passion for clothing and her interest in the fashion industry. To learn more about the business, Danah began working two jobs with local fashion retailers and soon became the top salesperson at both stores. Deciding it was time to venture out on her own, Danah resigned her positions at the end of 1991 to begin Danah's Lingerie.

Danah is a senior at Central High and has received a scholarship to study business at Morehead State University in Atlanta in September 1992.

Marlene Perez

Marlene Perez is a 5th grader at Louis Spencer Elementary School.

Marlene's Rocks is a business that designs and paints rocks, for use as paperweights. Some of her hottest rock designs include those made to look like famous people, such as Abraham Lincoln, or well-known actors and singers. Three days after beginning her business, Marlene had sold all her rock designs and showed a profit of $18.

Looking ahead to 1992, Marlene says she will concentrate on learning more about record keeping so she can keep track of her expenses and profits.

The NFTE and Washington, D.C. : A Necessary Partnership

The National Foundation for Teaching Entrepreneurship (NFTE) was founded to redirect the tenuous course of at-risk high school youth by teaching them how to start and operate a successful small business. The need for such a program in Washington, D.C., is clear if one considers the city's national ranking in several key categories, the city ranks:

- 51st in teen violent death rate (208 deaths per 100,000 people in 1990).
- 51st in juvenile violent crime arrest rate (1,448 arrests per 100,000 people in 1991).
- 51st in infant mortality rate (20.7 deaths per 1,000 live births in 1990)
- 50th (behind only Florida) in percentage of students who graduated from high school (56.6% in 1990).
- 48th in percentage of children living in poverty (27.3% in 1989).
- 1st in crime rate, with 10,774 offenses per 100,000 in population.
- The city's unemployment rate in 1991 was 7.1 percent, a full percentage point above the national rate.

Despite these troubling statistics, there is hope for Washington, D.C., youth who want an alternative to life on the streets. In 1987 (the latest figures available), there were almost 10,000 minority-owned businesses in Washington, D.C, with sales and receipts totalling $610 million. By working with the city's young people, the NFTE will help at-risk youth join the growing ranks of these Washington entrepreneurs.

KOCH INDUSTRIES INC

David H. Koch

Mr. Koch is Executive Vice President and a member of the board of directors of Koch Industries, Inc., an energy company based in Wichita, Kansas.

David H. Koch, founder and chairman of the David H. Koch Charitable Foundation, has provided a $1 million grant to the National Foundation for the Teaching of Entrepreneurship to Handicapped and Disadvantaged Youth (NFTE). The grant will fully fund the first two years of a new NFTE program in Washington, DC, which initiated outreach in January, 1994.

The David H. Koch Charitable Foundation disburses approximately $6 million annually and is dedicated to market-based solutions to today's most pressing problems. In addition to the pursuit of this goal, the Foundation funds several other organizations, including New York Hospital, American Museum of Natural History, and The John F. Kennedy Center for the Performing Arts.

As Executive Vice President of Koch Industries, Inc., one of the largest privately held corporations in the United States, Mr. Koch is responsible for the corporation's Chemical Technology Group, which includes the following companies: Koch Engineering Company, Inc. (Wichita, Kansas); Koch International SPA (Bergamo, Italy); Koch Engineering Company, Ltd. (Toronto, Ontario, Canada); Koch Membrane Systems, Inc. (Wilmington, Massachusetts); Koch Protective Treatments, Inc. (Dayton, Ohio); Koch Heat Transfer Group; and John Zink Company (Tulsa, Oklahoma).

Prior to joining Koch Industries in 1970, Mr. Koch served as a research and process engineer for Amicon Corporation, Arthur D. Little, Inc., Halcon International, Inc., and Scientific Design Company.

Active in many pursuits outside Koch Industries, Mr. Koch serves on fourteen boards of directors across the country, including New York University Medical Center, New York Hospital, Memorial Sloan Kettering Hospital, American Ballet Theater, Earthwatch, and the American Museum of Natural History. He is a governor of New York Hospital and a member of the Corporation of Massachusetts Institute of Technology. In the public policy arena, Mr. Koch serves on the boards of the Reason Foundation and the CATO Institute, and co-chairs the board of the Citizens for a Sound Economy Foundation. In 1980, Mr. Koch was the Libertarian Party candidate for Vice President of the United States. He has since left the Party, yet remains active in politics and public policy issues.

Mr. Koch earned his bachelor's (1962) and master's (1963) degrees in chemical engineering from the Massachusetts Institute of Technology. He attended public schools in Wichita until high school, when he attended and graduated *cum laude* from Deerfield Academy in Cambridge, Massachusetts.

Born May 3, 1940, Mr. Koch is single and lives in New York City.

National Foundation for Teaching Entrepreneurship

Steve Mariotti

Mr. Mariotti is President and Founder of the National Foundation for Teaching Entrepreneurship.

After serving in the private sector for several years, Steve Mariotti responded to what he believed to be a lack of business training available to at-risk youth by founding the National Foundation for Teaching Entrepreneurship to Handicapped and Disadvantaged Youth (NFTE) in 1987.

His work as President of NFTE has enabled thousands of inner-city, at-risk youth by teaching them the entrepreneurial skills they need to get started -- and succeed -- in their own small businesses. He authored innovative curricula for the NFTE program, including "*How to Start and Operate a Small Business*," assisted by Tony Towle, and co-authored "*Entrepreneurs in Profile*" with Jenny Rosenbaum. Under his leadership, NFTE has grown from an idea to a foundation with a $3.5 million budget, and operations in ten cities. The foundation's budget has doubled for the last three years, and is expected to double again in 1994.

Prior to founding NFTE, Mariotti served as a financial analyst for Ford Motor Company for three years, resigning that position in 1979 to found two businesses: Mason Import-Export Company and Mason Consulting. In 1982, he became a full-time teacher in the New York City public school system, teaching in some of the nation's most impoverished urban areas, including: East New York, Bedford-Stuyvesant, Harlem, the Lower East Side, and the South Bronx. While serving as a teacher, he worked part-time as Assistant to the President of the Center for Entrepreneurial Management.

Mariotti has received numerous awards for his innovative work in teaching entrepreneurship to inner-city youth, including: *Inc. Magazine and Ernst & Young's Entrepreneur of the Year* (1992); the *Castle Award for Entrepreneurial Achievement* (1991); *Doctor of Business Administration in Entrepreneurship Honoris Causa* (1990), Johnson and Wales University; *Best Business Teacher of the Year* (1988), given by the National Federation of Independent Business; and the Freedoms Foundation's *Leavey Award for Outstanding Achievement in the Field of Free Enterprise Education* (1985). He has also been a Fellow of the Institute for Humane Studies, the Manhattan Institute, and the Liberty Fund.

In August 1992, Mariotti provided expert testimony on youth entrepreneurship before the United States House of Representatives Select Committee on Hunger. In 1990, he was selected as one of the five business teachers in the U.S. to teach entrepreneurship in Moscow, Russia. Mariotti has also written several magazine articles on entrepreneurship, and his work has been covered extensively by television and print media.

Mariotti was born in Ann Arbor, Michigan in 1953. He received a B.B.A. and an M.B.A. from the University of Michigan, Ann Arbor. He has also studied at Stanford University, Brooklyn College, and Harvard University.

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Julie E. Silard

Ms. Silard, Divisional Director of The National Foundation for Teaching Entrepreneurship, will direct the Young Entrepreneurs of Washington, D.C. program.

Julie Silard has taught entrepreneurship to at-risk, inner city youth since 1992. In her upcoming assignment for The National Foundation for Teaching Entrepreneurship (NFTE — pronounced "nifty"), she will coordinate the instruction of more than 400 youths for The Young Entrepreneurs of Washington program. Under her leadership, the program will continue to launch teens into their own businesses providing young people with viable alternatives to unemployment, low-paying jobs and engagement in destructive life choices.

In her previous position as Divisional Director of NFTE - New England, Ms. Silard worked with over 200 urban young people, many of whom have made headlines as entrepreneurs and continue to operate their own businesses. She established and taught NFTE classes at numerous public schools and youth programs including: the Westside Alternative High School in New Bedford, the Boys and Girls Club of Brockton, the Thompson Island Outward Bound Program (Roxbury Island School), and Hyde Park High chool in Boston. In January of 1995, Ms. Silard was recognized for her service to the community when she was awarded the prestigious Bank of Boston "Yellow Star of Service" Award.

Born and raised in Washington, D.C., Ms. Silard attended Sidwell Friends High School. She earned her bachelor's degree with a double major in Communications and English at Simmons College in Boston. With a passion for small business development, Ms. Silard worked as the Distribution and Fulfillment Manager for Inc. Magazine, the nation's #1 magazine for growing companies.

Ms. Silard's interest in working with inner city kids was sparked in 1991 when NFTE Founder Steve Mariotti addressed over 800 CEO's and invited guests at the Tenth Annual Inc. 500 Conference. Inspired by the NFTE program and its impact on young people, Ms. Silard decided to join the NFTE team to develop year-round programming in the most economically challenged neighborhoods of Massachusetts.

In addition to her experience in the corporate and non-profit worlds, Ms. Silard has served as a volunteer for both the Boston and Washington D.C. Rape Crisis Centers. She also founded the Women's and Men's Teen Awareness Group at Sidwell Friends High hool and was the Editor-in-Chief of the Simmons College Literary Magazine Sidelines.

3 Ways You Can

Team Up With NFTE!

1. Adopt a Program in a Current NFTE City

2. Bring NFTE to Your City

3. Underwrite Scholarships for Young Entrepreneurs

Team Up With NFTE!

NFTE
64 Fulton St. Suite 700
New York, NY 10038
(212) 233-1777
(212) 233-3993 FAX

Adopting a Program in a Current NFTE City

Adopting a program in a current NFTE location gives you the ability to bring the entrepreneurial vision to at-risk youth without delay. ***Resources applied this spring could result in young entrepreneurs completing training and starting real businesses this fall.***

For your employees, adopting a program can become a focus of motivation and community involvement. The program could be named for your company, and the NFTE curriculum provides many opportunities for employees to help students in fun and important ways.

What's Involved:
Adopting a program means creating new entrepreneurship classes in one of NFTE's full time locations: **New York City area, Newark, Minneapolis/St. Paul, Detroit, Chicago, San Francisco/Oakland, Los Angeles, Boston/New Bedford, Philadelphia/Trenton, and Washington D.C.** (1/94).

Just as kindling and sparks are combined to start a fire, NFTE combines resources and needs to ignite the entrepreneurial learning process. Funding from a financial backer (such as your firm) is matched with access to at-risk youth from a school or youth organization (such as a Boys & Girls Club). NFTE then provides the experienced teachers, curriculum and materials for a successful program.

Adopting a program costs approximately $1,000 per student, or $20,000 per class of twenty students. Programs can either run twice a year during the spring and fall semesters, for a yearly cost of $40,000, or once in the summer as a two week concentrated boot-camp for a $20,000 yearly cost.

How to Start:
Complete three steps and you can be responsible for changing lives in your program by the end of the summer:

1. Fill out the enclosed information sheet and either give it to a NFTE representative today, or mail it to the address on the form.

2. NFTE will have the appropriate person contact you and set up a meeting. When you meet, NFTE will develop a Program Plan to meet your needs, and those of your community, such as employee matching fund-raising, employee volunteer involvement, etc.

3. NFTE will find a partnering school or youth organization, schedule the program, and begin the educational process. ***Carpe Diem!***

Join us in this exciting and critical mission:

REBUILDING AMERICA'S COMMUNITIES, ONE ENTREPRENEUR, ONE BUSINESS, AT A TIME

Team Up With NFTE!

NFTE
64 Fulton St. Suite 700
New York, NY 10038
(212) 233-1777
(212) 233-3993 FAX

☐ I'm interested in Adopting a Program in a current NFTE city.

☐ I'm interested in Bringing NFTE to my city.

☐ I want to underwrite scholarships for Young Entrepreneurs.
Number of scholarships ______
Cost/scholarship $ 1,000
Total Contribution ______

☐ I want to donate to NFTE operating support to for (circle one):
NY, California, New England, New Jersey, Detroit, National, D.C,
Other ______________for $ ________.

Name: ____________________

Organization: ____________________

Street Address: ____________________

City: __________ State: __________ Zip: __________

Phone(day): __________ (Evening): __________

Donation Included with form: $ __________

FAX or mail to:

The National Foundation for Teaching Entrepreneurship, Inc.
64 Fulton St. Suite #700
New York, NY 10038
FAX # (212) 233-3992

Team Up With NFTE!

NFTE
64 Fulton St. Suite 700
New York, NY 10038
(212) 233-1777
(212) 233-3993 FAX

Underwrite Scholarships for Young Entrepreneurs

Underwriting scholarships for one or more Young Entrepreneurs to participate in NFTE programs can change lives. With your support, young men and women who have been, or will be, tempted by the lure of drugs and crime can take command of their lives and build a future to benefit us all. ***With NFTE you can turn wealth consumers into wealth producers.***

Many current NFTE programs are not fully funded. In addition, many young people who want to take the course can't be accommodated. As NFTE New York Division Vice President Scott Shickler describes: *"Because so many more students want to be in our Boys and Girls Club programs than I have funding for, I hand out my card to those who can't join, telling them that it is a ticket into the next class we will hold. Last fall, a student came up to me, asked if he could join the course, and handed over a worn, crumpled card of mine, which I had given him nearly a year ago; these kids know what the program means for them."*

What's Involved

You can make a place for a student in a NFTE program with your check for $1,000. In return, you will receive a letter from the appropriate NFTE Division Vice President identifying the recipient of your scholarship. You will also receive a copy of the Young Entrepreneur's Business Plan and Business Card. Finally, you will be invited to events such as the program graduation, and the annual awards ceremony, where you can witness the results of your contribution in a young person's business activities.

Not every graduate continues their business after the program, but every graduate is effected deeply by the principles learned in the program. All graduates benefit from their entrepreneurial knowledge.

[illegible]	
Cost	**Approx. $$$**
Direct Student Grants	$ 125
Student Materials/Expense	$ 225
Teacher Compensation	$ 400
Admin, R&D, Fund-Raising, Other	$ 250
Total Scholarship	$1,000

How to Start

Three simply steps will have a student in a NFTE program under your scholarship by the fall of 1993:

1. Fill out the attached information form and mail it to the address on the form.

2. With the form, include a check for $1,000 made to "NFTE Scholarship".

3. NFTE will send you copies of the student's business plan and business card, and will inform you of NFTE events such as graduation and award ceremonies.

Carpe Diem!

Clinton Presidential Records
Digital Records Marker

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Divider Title: **D**

YOUNG ENTREPRENEURS OF WASHINGTON, DC

SPRING SEMESTER

CLOSE-OUT REPORT

July 27, 1995

NFTE WASHINGTON D.C. FINAL PROGRAM REPORT
SPRING 1995

TABLE OF CONTENTS **PAGE #**

NFTE SEMESTER CORE PROGRAMS

INSTRUCTOR	SCHOOLS	Number of Students Served Spring 1995	Number of Students Served Fall 1995
Willie Stewart	Anacostia Senior High School	13	20
Astiage Tondari	Bell Multicultural Senior High School	11	15
Mena S. Lofland	Cardozo Senior High School	14	18
Dale Lubkeman	Hine Junior High School	18	20
Glenn Swanson	Options School	13	15
Marilyn Hollis	Roosevelt Senior High School	16	18
	TOTALS	85	106

	Number of Students Recruited	Number of Students Graduated	Number of BizBags Distributed	Number of Business Cards Designed and Reproduced	Number of Bank Accounts Established
SPRING 1995	111	85	110	70	85

MODIFIED FUNDAMENTAL PROGRAM SITES

INSTRUCTOR	SCHOOL	Students Served Spring 1995
Jackie Hart	Armstrong Career Center	9
Wendy Holmes	Coolidge Senior High School	17
Mary S. Sturdivant	Martha Murray Washington HS	16
Francell Williams	Woodson Senior High School	8
Astiage Tandari	Bell Multicultural (Summer)	30
	TOTAL	80

EXPOSURE SESSIONS

INSTRUCTOR	SCHOOL	Students Exposed Spring 1995
Willie Stewart	Anacostia Senior High	10
Mena Lofland	Cardozo Senior High	40
Dale Lubkeman	Hine Junior High School	20
Glenn Swanson	Options School	15
Marilyn Hollis	Roosevelt Senior High	40
Mary Sturdivant	Substance Abuse Prevention Program and other sites 7/95	60
	TOTALS	185

STUDENT BUSINESS PLAN WINNERS

Student Name	School	Award
Dwayne Prince	Roosevelt	1st Place- $1,000
Mary Howard	Roosevelt	2nd Place- $750
Raynette Williams	Hine Junior High	3rd Place- $300
Robert Lavander	Cardozo High	$300
Jose Mirando	Cardozo High	$300
Oscar Chavez	Cardozo High	$300
Sabrina Williams	Cardozo High	$300
Theodore Barnes	The Options School	$300
Luis Alvarado	Bell Multi-Cultural	$300
Musu Tyler	Hine Jr. High	$300
Sharita Graves	The Options School	$300
Robin Hinton	The Options School	$300

SPRING 1995 HIGHLIGHTS

- **WHOLESALE MARKET FIELD TRIPS**

- **ENTREPRENEURIAL FAIRS: Held in the lobbies of the U.S. Attorney's Office, Department of Health and Human Services, and the Department of Labor.**

- **BUSINESS PLANS: Students presented their business plans in front of a prestigous panel of judges at the U.S Chamber of Commerce.**

- **VENTURE CAPITAL AWARDS: Twelve students were awarded venture capital grants from $300 to $1,000 as seed capital to invest in their companies.**

- **WHITE HOUSE CONFERENCE ON SMALL BUSINESS: Six youth attended the conference this past May and set up trade show displays. Two students presented to over 300 people at a cocktail party hosted by Microsoft Corporation. In Janaury two students served on a panel on Capital Hill as part of the White House Conference.**

- **NFTE UNIVERSITY AT BABSON COLLEGE: Eight NFTE-Washington, D.C. teachers attended an intensive four day training to sharpen their entrepreneurial teaching skills at the nation's top business school for entrepreneurial education.**

- **NFTE-CARDOZO STUDENTS WERE AWARDED OVER $40,000 IN SCHOLARSHIPS: Top NFTE graduates from Cardozo high school including Bikini Shifaw, Oscar Chavez, and Robert Lavander wrote about their experiences in NFTE to apply for college scholarships and each were awarded between four and fifteen thousand dollars.**

- **NFTE GRADUATE WON NFTE ENTREPRENEUR OF THE YEAR: Bikini Shifaw was awarded one of the prestigous "Entrepreneur of the Year" awards at NFTE's National Awards dinner. He was featured on four Television programs, five newspaper articles, and in a book <u>Cash for Kids</u>**

SPRING 1995 HIGHLIGHTS (CONT.)

- **AUSTRALIAN MINISTER OF EDUCATION VISITS CLASS: Hon. Simon Crean and members of his staff presented to the NFTE students at Martha Murray Washington High School. The students prepared a business luncheon for his visit.**

- **STUDENTS DEVELOP CAFE AMERICANA PROJECT: The students at NFTE Fundamentals program at M.M.W High School sold cookies, hot drinks and soup at school based on the need of their peers that the school did not have a cafeteria.**

- **STUDENT HELPS UNCLE WRITE BUSINESS PLAN: Student, Regina Jackson upon completing the NFTE program helped her uncle write a plan for his Car Wash Company.**

- **STUDENT SPEAKS ON NFTE AT DECA CONFERENCE: Sixteen year old Jefferey Nix from the Roosevelt travelled to Burlington Vermont spoke on behalf of NFTE at DECA's National Convention.**

TESTIMONIALS

Entrepreneurship is a lot of hard work. At the end, you feel you've accomplished something. You feel so good inside.

Angela Rodney
Roosevelt High School

I want my business to become a huge success. I myself will hand make jewelry for now. When my business is to become big, I will show my little sister how to make jewelry and she will be Vice President. We will also have other workers to make designs. I want to make it like a family type of business, because my mother showed me how to make earrings and other things.

Regina Jackson
Hine Junior High School

She even helped her uncle write a business plan for his car wash.

Mrs. Mary Jackson
(student Regina Jackson's grandmother)

When we started the Young Entrepreneurs program, none of us thought high school kids could run their own businesses, but we soon found out we were wrong.

Raynette Williams
Hine Junior High

Marketing Education, DECA and NFTE students were recognized as the most accomplished students in the school with their increased popularity.

Marilyn Hollis
Teacher- Roosevelt High

All the odds were against me... Now I consider myself a role model for other kids.

Duane Prince
Roosevelt High School

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"OUR GREATEST NATURAL RESOURCE IS THE MINDS OF OUR CHILDREN."

-WALTER ELIAS DISNEY

Mission Statement of NFTE

- To empower highly at-risk, economically and/or physically challenged minority youth via specialized training in business and entrepreneurial literacy.

We seek to renew America's communities, one young entrepreneur at a time.

State of the Nation: Youth in Crisis

YOUTH EDUCATION TRENDS

- Every 12 seconds of the school day, a child drops out (1 million annually) translating into nearly $ 260 billion in lost wages and taxes over 50 years.

- One to One, Inc. Report, 1993

State of the Nation: Youth in Crisis

YOUTH CRIME TRENDS

- In 1990, authorities made 2.2 million arrests of youth offenders.

  - *USA Today*, 1993

- Youth today are three times as likely to be murdered and two times as likely to commit suicide as teenagers were in 1950.

  - *Boston Globe*, 1993

- The proportion of teens getting arrested has soared 30 times over the same period.

  - *Boston Globe*, 1993

- In 1990, 57% of Americans arrested for serious crimes were under the age of 25.

  - *Boston Globe*, 1993

State of the Nation: Youth in Crisis

YOUTH POVERTY TRENDS

- **Every minute a teenage mother gives birth to a child, this equals:**
  - 60 children born into poverty/hour
  - 1,440 children born into poverty/day
  - 10,080 children born into poverty/week
  - 524,160 children born into poverty/year

    - *The State of America's Children, Children's Defense Fund, 1992*

- **By the year 2010, 20 million children will be living in poverty.**

    - *Boston Globe, 1993*

- **Every 53 minutes a child dies from poverty.**

    - *The State of America's Children, Children's Defense Fund, 1992*

One effective solution to our urban economic problem is:

Local Entrepreneurship

- Why is local entrepreneurship so important?
  - Because Local Entrepreneurs:
    - Create jobs in a community
    - Are local owners
    - Fulfill local consumer needs
    - Recirculate money within the local community
    - Create wealth
    - Give back to the communities that helped them succeed

NFTE: The Anti-Poverty Program of the 90's

- NFTE seeks to shift the focus of anti-poverty efforts from "existence strategies" in poverty to "exit strategies" from poverty.

- NFTE graduates across the country have demonstrated track records in earning more than the $29 per day poverty level. An income level of $29 or less per day is defined as, "the poverty line." It is our desire to help youth develop enterprises that generate more than the individual annual income poverty threshold level of $7,540.

- With ongoing support NFTE graduates can sustain their success and begin to accumulate wealth which will enable them to exit poverty via wealth creation.

Benefits of Learning Entrepreneurship

- Critical thinking, attitude, self-esteem and courtesy improves.

- Essential life skills needed for self-employment, traditional employment and wealth creation are developed

- Basic math, reading, writing and verbal skills increase measurably

- Initiative, mental toughness, salesmanship; the natural strengths of inner-city youth, are fostered

Benefits of Learning Entrepreneurship

- Business & Economic Literacy are achieved
- De-mystification of business registration with the government is attained
- Vision, independence and personal responsibility are fostered
- Pursuit of opportunities are encouraged in local market economies
- Positive media stories are generated
  - Empowers local communities with hope and a solution
  - Gives student roles models

Benefits of Learning Entrepreneurship

Start Young Entrepreneurs on the wealth-creation cycle that includes:

- Steady earnings through market participation in private enterprise
- Development of private property ownership and rational self-interest
- Firm savings and budgeting through goal setting
- Sound investing in themselves, other small businesses, their community, the stock market and other traditional investment vehicles
- Developing a strong sense of well-being and an enhanced ability to direct and control events of his or her life

Life Skills Enhanced through NFTE's Entrepreneurship Program

- Time preference/Goal Setting
- Job preparedness and labor market awareness
- Time management and punctuality
- Respect for authority
- Work ethic and a positive attitude
- Smart consumer behavior
- Good attendance and proper appearance
- Interpersonal relations

Business Formation Rates

*UNITED STATES BUSINESS OWNERSHIP RATES BY ETHNIC GROUPS**

Koreans	10.0%
Caucasians	5.8%
African Americans	1.5%
Hispanics	1.1%
NFTE Youth trained in entrepreneurship	14.0% **
NFTE Youth trained in entrepreneurship with mentors	30.0%**

*Source: *Wall Street Journal* (1990 U.S. Census) and Prof. Steve Balkin

** Primarily minority youth (12-18 years old) receiving over 40 hours of training, and mentoring from MBA students. Businesses defined as having an average of at least $50/week in sales six months after end of program; estimated based upon phone surveys.

What is the National Foundation for Teaching Entrepreneurship (NFTE)?

- A non-profit foundation working with at-risk youth using the fundamentals of entrepreneurship and business literacy to build individual:

- 1) Self-esteem
- 2) Motivation
- 3) Basic educational skills
  - A) Reading
  - B) Writing
  - C) Math
  - D) Public Speaking

- 4) Business Formation and Vocational Exposure
  - A) How to create self-employment through entrepreneurship
  - B) Employment opportunities through NFTE job readiness training

The Underlying Premise of NFTE

❖ A free society and the advancement of the well-being of mankind rests on the shoulders of those who can govern and provide for themselves.

The Goal of NFTE

Our goal, vis-a-vis education, is to end the persistent cycle of poverty that afflicts most urban areas by:

- Developing a national network of NFTE trained Entrepreneurship Instructors and KidPreneur Centers-
  - Library & Research Center
  - Communication Center
  - Working/Distribution Area
  - Kiosk/Sales Area

- Encouraging local school districts and youth agencies to infuse the NFTE Entrepreneurship Model into their core curriculum

- Developing the best business and entrepreneurship education tools for teachers and students

What does NFTE do?

- NFTE trains youth in entrepreneurship
- NFTE trains teachers to conduct the NFTE system of youth entrepreneurship education
- NFTE sells innovative and engaging business education materials

The NFTE Graduate

- **An entrepreneurially literate youth who...**
  - Can think critically and develop wealth-creation skills
  - Has real-life experiences with critical business and free market concepts such as market research, product selection, sales, and property rights and, sees capitalism as a beneficial force in society
  - Can intellectually discuss business concepts with prospective employers, his/her peers, parents, and others
  - Understands the value of competition, how entrepreneurs fill needs, and other aspects of economic liberty
  - Identifies with wealth *creation*, not just product *consumption*

Redefining Intelligence

Based on research conducted by Professor Sternberg of Yale University

- 1) Practical
  - Entrepreneur, skilled trades
- 2) Analytical
  - Lawyer, Doctor, Teacher
- 3) Creative
  - Writer, Artist

Most schools reward and measure only analytical intelligence.

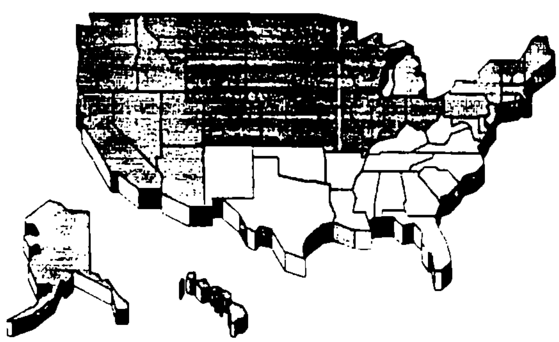
The NFTE Vision

- Develop entrepreneurial training methodologies and replication systems that will reach America's 3.68 million youth [between the ages of 12-17 years] currently living in poverty.

  - *Tufts University Center on Hunger, Poverty, and Nutrition Policy, 1993*

- Our long term vision is to establish a NFTE Entrepreneurial Training Program in every one of the 14,000+ public school district in the United States.

NFTE Year-Round and Pilot Programs



Year-Round and Pilot Programs by State:

- California
- Illinois
- Kansas
- Massachusetts
- Michigan
- Minnesota
- New Jersey
- New York
- Pennsylvania
- Rhode Island
- Texas
- Washington, D.C.

International:

- London, England

How Does NFTE Work with JA?

- Wherever possible NFTE seeks to develop a referral and collaborative relationship with the local JA agency. Successful students in the JA Program would benefit from NFTE's practical, hands-on entrepreneurial training. NFTE graduates would benefit from a more in-depth understanding of micro- and macro-economic theory.
- We believe that America's youth deserve every opportunity to grow in understanding of and participation in local market economies. We believe support of NFTE and JA to be a wise philanthropic investment strategy.

NFTE and JA

The following are areas of specialization.

NFTE	JA
Model:	
Sole proprietorship	Corporate
Target:	
At-risk population	General population
Teachers:	
Trained and Experienced	Volunteer s from Community
Emphasis:	
Practical business knowledge	Theoretical knowledge
Teaching Methods:	
Hands-on experiences Contests & Games	Lectures & Discussions

NFTE Books

- **Entrepreneurship: How to Start and Operate a Small Business**
  A Guide for the Young Entrepreneur
  - by Steve Mariotti

- **Entrepreneurs in Profile**
  - by Steve Mariotti & Jenny Rosenbaum

- **Inventions in Profile**
  - by Steve Mariotti

NFTE Workbook-Unit/Chapter Description

- **Unit One: Introducing Entrepreneurship**
  - Chapter 1: What is an Entrepreneur?
  - Chapter 2: "Artists" of the Economy
  - Chapter 3: A Successful Venture Satisfies a Consumer Need
  - Chapter 4: Economic Systems
  - Chapter 5: Supply and Demand

- **Unit Two: Foundations of Entrepreneurship**
  - Chapter 6: Characteristics of the Successful Entrepreneur
  - Chapter 7: Positive Mental Attitude
  - Chapter 8: Negotiation
  - Chapter 9: Keeping Good Records
  - Chapter 10: Reading for Success

NFTE Workbook- Unit/Chapter Description

❖ Unit Three: Exploring Profit

- Chapter 11: The Wall Street Journal
- Chapter 12: Costs
- Chapter 13: The Income Statement
- Chapter 14: Break-Even Analysis
- Chapter 15: Return on Investment
- Chapter 16: Stocks
- Chapter 17: Cost/Benefit Analysis

❖ Unit Four: Communication

- Chapter 18: Business Communication
- Chapter 19: Using the Phone
- Chapter 20: Selling
- Chapter 21: The Sales Call
- Chapter 22: Marketing
- Chapter 23: Advertising and Publicity
- Chapter 24: Market Research

NFTE Workbook-Unit/Chapter Description

❖ Unit Five: Types of Enterprise (continued)

- Chapter 28: Selecting Your Business
- Chapter 29: Sole Proprietorships and Partnerships
- Chapter 30: Corporations: Limiting Liability
- Chapter 31: Registering a Sole Proprietorship

❖ Unit Six: Financing

- Chapter 32: Future and Present Value of Money
- Chapter 33: Bonds
- Chapter 34: Financing Strategy: Borrow or Sell?
- Chapter 35: The Balance Sheet
- Chapter 36: Other People's Money
- Chapter 37: Venture Capital

NFTE Workbook-Unit/Chapter Description

- **Unit Seven: Real-World Applications**
  - Chapter 38: Business Math Tips
  - Chapter 39: From the Wholesaler's to the Flea Market
  - Chapter 40: Flea Market Financials
  - Chapter 41: Opening a Bank Account
  - Chapter 42: Credit
- **Unit Eight: Business Behavior**
  - Chapter 43: Ethical Business Behavior
  - Chapter 44: Quality
  - Chapter 45: Contracts
  - Chapter 46: Franchising and Licensing

NFTE Workbook-Unit/Chapter Description

- **Unit Nine: The Entrepreneur's Responsibilities**
  - Chapter 47: Insurance
  - Chapter 48: Small Business and Government
  - Chapter 49: Taxation
  - Chapter 50: Self-Employment Tax

NFTE Educational Tools

- NFTE BIZBAG™
  - **Student Start-Up Kit**

- NFTE WIZBAG™
  - **Teachers Invention Kit**

- NFTE Entrepreneurs T-Shirt

- NFTE Teacher Program Manual/Workbook

- NFTE Lesson Transparencies

- NFTE Student Achievement Certificate

NFTE Bizbag™

The Students Business Start-Up Kit

The Bizbag's purpose is to provide the necessary tools for a young entrepreneur to gain an understanding of entrepreneurship and how to start a business.

The Bizbag is a rugged black canvas bag with the following business tools:

- ☐ Calculator
- ☐ Business Organizer Portfolio
- ☐ NFTE Digital Watch
- ☐ Pocket Dictionary & Sales Receipt Book
- ☐ NFTE Columnar Record Book
- ☐ Mortgage Calculator
- ☐ Ruler
- ☐ Student Curriculum Workbook
- ☐ Entrepreneurs in Profile Book
- ☐ And More.........

NFTE Wizbag™

The Teacher's Invention Lesson Kit

The Wizbag's purpose is to provide a tool for the NFTE instructor to experientially teach the invention process through examples. The Wizbag is a rugged black canvas bag including:

- Inventions in Profile Book
- Products:
  - The Duncan Yo-Yo
  - The Slinky
  - Band-Aids
  - The Frisbee
  - Forster's Wooden Toothpicks
  - Vaseline Petroleum Jelly
  - Silly Putty
  - Lay's Potato Chips
  - Post-it Note Pad
  - The Gillette Safety Razor

What Students Are Saying About NFTE Programs

- ...the Young Entrepreneur Program is a very good, inspirational, and educational program. It is giving us the incentive to earn our own hard-worked money.

  – *Stephen Farmer*

- My experience at Wharton was a wonderful one...Steve Mariotti taught me well and is someone who I can look up to and respect.

  – *Kimberly Hudnell*

- In the past two weeks I learned a lot about the business world. I learned about the stock market, the wholesaler...and how to sell a product. Also, I learned about famous black inventors, some of whom had made important things, although I had never heard of them.

  – *Brian Lee*

- I really enjoyed the Young Entrepreneurs Program. It was very helpful in building my confidence and self-esteem. I'm really going to miss the teachers and the fellow young entrepreneurs.

  – *Stan Wells, Jr.*

- I really enjoyed this program. It taught me a lot about business and it helped me with my public speaking capabilities. If nothing else, I improved my writing and mathematical skills.

  – *JoAnne F. Wells*

- I truly enjoyed this program. It will be very important to me in my college and career choices. I felt very ethnically motivated by this program.

  – *Kyle L. Cruel*

- I have learned without a doubt more in the past couple of days than in a solid month of school. I have enjoyed your program so very much. You have encouraged me a great deal and have made a positive impact on my life.

  – *Lia Carrie Turnei*

NFTE External Evaluation Update

- In 1993, with support from The New York Community Trust and the E.M. Kauffman Foundation-Center for Entrepreneurial Leadership, NFTE commenced a multi-year research and evaluation program. The following are stages coordinated by Dr. Andrew B. Hahn of Brandeis University, Heller Graduate School:
  - Stage 1-Pre-evaluation
  - Stage 2-Measurement Tool Design
  - Stage 3-Pilot Test of Instruments
  - Stage 4-Design of Multi-Site "Net-Impact" Evaluation
  - Stage 5-Implementation of Net-Impact
  - Stage 6-Report on Findings

  Findings are anticipated by December 1996.

NFTE Board of Directors Profiles

Albert Abney

President of Abney Manufacturing located in Queens Village, New York. Mr. Abney was the recipient of the 1990 Black Entrepreneur of the Year Award, presented by Mayor David Dinkins.

Burt Alimansky

President of Alimansky Capitol Group, a respected venture capitalist firm.

Bart Breighner

President and Founder of Artistic Impressions, an artwork marketing organization and a member of the Inc. 500-one of America's fastest growing companies.

Bella Frankel

An educator who has been with NFTE since its founding, Ms. Frankel has taught in the New York City school system for 30 years. Ms. Frankel is a Fulbright Scholar and has received numerous National Science Foundation Fellowships.

NFTE Board of Directors Profiles

Verne Harnish

President of Dolphins Development, a toy developer located in Denver. Mr. Harnish does career-track motivational speaking and management consulting.

Lisa Hoffstein

National Director of the Milken Institute for Capital and Job Formation/University Community Outreach Program, with headquarters in Bala Cynwyd, Pennsylvania.

Jim Holden

President of Integrated Cable Installations, Inc. a New York area technology company.

Elizabeth Koch

Wife of Charles Koch, CEO of Koch Industries, a multi-billion dollar oil refining concern in Kansas. Elizabeth is very involved in community development projects and takes an active role in the NFTE Wichita program as Advisory Board Chairman.

NFTE Board of Directors Profiles

Steve Mariotti, MBA

Founder and President of The National Foundation for Teaching
Entrepreneurship.

Andrew Sherman

Trademark and licensing lawyer with the firm of Silver, Freedman and Taff, located in Washington, D.C. One of the founding lawyers of the Association of Collegiate Entrepreneurs (A.C.E.), Mr. Sherman is the author of several books on franchising

Jack Stack

President, The Springfield Remanufacturing Corp., Springfield, MO

Lynn Taylor

Managing Director of the Charles G. Koch Charitable Foundation, Washington, D.C.

Clara del Villar

Independent consultant in futures and money management, and municipal bond specialist for the money-management firm of Neuberger and Berman.

NFTE Donor Categories

- Underwriter- $100,000+
- Sustainer- $50,000
- Investor- $25,000
- Patron- $10,000
- Supporter- $5,000
- Advocate- $1,000
- Friend- $100

NFTE Supporters

as of May 20, 1994

❖ Underwriter- $100,000+

The Tiger Foundation
Charles G. Koch Charitable Foundation
David H. Koch Charitable Foundation
Koch Refining Company

❖ Sustainer - $50,000+

Claude R. Lambe Foundation
Artistic Impressions
Coleman/Fannie Maye Foundation
Kauffman Center for Entrepreneurial Studies
Koch Industries, Inc.
MCJ Foundation

❖ Investor - $25,000

Klingenstein Foundation
Milken Foundation
The J.M. Foundation
One to One Foundation
Bodman/Achelis Foundation
F.M. Kirby Foundation
Miranda Lux Foundation
Columbia University
The Clark Foundation
New York Community Trust

NFTE Supporters
continued

❖ Investor-continued

University of Pennsylvania
Boys Club of New York
Price Institute for Entrepreneurial Studies
Boys and Girls Club of Newark
New Directions
Chemical Bank
Amelior Foundation
Foundation for New Era Philanthropy
U.S. Trust Company

❖ Patron - $10,000+

AT&T Foundation
Clark Foundation
Ben & Jerry's
William H. Donner Foundation
New York Community Trust
M. Jacob & Sons
Weyerhauser Company Foundation
Ford Motor Company
York College
University of Massachusetts
Perry Corporation

NFTE Supporters

continued

Patron-continued

Perry Corporation

Boisi Family Foundation

Autranet, Inc.

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First Boston Co.

Leslie Rudd Investments

National Westminster Bank

Merrill Lynch

Angelo, Gordon & Co., L.P.

Whitehead Foundation

Lawndale Christian Development Corp.

Philanthropic Ventures Foundation

Ernst & Young

UBS Securities

Instinet Corporation

Moore Capital Mgt.

Morgan Stanley

LaSalle Street Cycle

San Francisco Boys andGirls Club

Coca-Cola

Boys and Girls Club of Brockton

Island Foundation

NFTE Supporters
continued

❖Supporter - $5,000+

Salomon Brothers
Hambrecht & Quist
Ford Land Co.
Boston Safe Deposit & Trust
Hohmann Foundation
S. G. Warbug & Co.
Tommy Boy
Piper Jaffray Co.
South Bay Community Services
Fellowship Academy
Casillas Foundation
Philanthropic Ventures Foundation

Odyssey Partners
Bain Capital
Detroit Business Initiative
City of New York
Barker Welfare Foundation
New Community Employment Services
Paine Webber
Pumpkin Foundation

NFTE Supporters
continued

❖Advocate - $1,000+

Chase Manhattan Bank
Tudor Investment Corp.
David & Andrea Page Fund
Standard Distributing
Partners for Disabled Youth
Manley Foundation
Springfield Remanufacturing Corp.
University of Illinois
Jewish Communal Fund
Cohn Philanthropic Fund
United Jewish Foundation
WW Group

Performance Dynamics

Bank of Boston

Intech, L.P.

Litavak Foundation

Association of Progressive Dominicans

New England Business Supply

College of New Rochelle

Furman Selz, Inc.

Wichita Greyhound Charities

Damark

Boys and Girls Club of America

NFTE Supporters
continued

❖Advocate- continued

Con Edison
Wells Fargo Bank
Erie Neighborhood
Presbar Corp.
Jordan-Volpe
  Gallery, Inc.
Police Athletic
  League
Deutsche Bank
Cameron
  Development Corp.
Dean Witter Reynolds
Bridgemill Foundation
Babson College
Gerard Klauer
  Mattison & Co.
Asset Management

Bridgemill Foundation

Gerard Klauer
  Mattison & Co.

PVC Contianer Corp.

Bain Capital

American Executive
  Centers

NFTE Supporters

continued

❖Friend - $100+

Henry Street Settlement
Pine Bluffs High School
Vermont Teddy Bear
Texans War on Drugs
Phillips County Comm. College
Youth Services International
Computer Associates
Motivation Excellence
S.T.E.P.
Enterprise Bank & Trust
Adobe Systems
Harris Foundation
D/P Systems
Apple Marketing, Inc.

New York Carpet World

Regional Superintendent of Schools

NCO Financial Systems

Kendall School

Arkansas Human Dev. Corp.

Kimbro Kids

University of Hartford

Citibank

Inc. magazine

Micro Society

Softub, Inc.

The Ethix Corp.

NFTE Supporters
continued

❖Friend-continued

Genesis Capital
WDHB Consulting Group
Chicago Board of Education
Kynikos Associates, Ltd.
Cato Institute
Pearson Companies
Westchester Community
Alex Brown & Sons
City of Ithaca
Benefit Planning
Conservation Corps of Long Beach
Follet College Stores Corp.

Project Unlimited

Skidmore, Ownings & Merill

Zeiders Enterprises

AJP Enterprises, Inc.

International Career Information

Catholic Charities

Center for Urban Ministries

The Tealmon Corp.

Fleet Services Corp.

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Steve Mariotti and NFTE

On a warm summer evening, Steve Mariotti paced around his one-bedroom apartment, which doubled as the headquarters of the National Foundation for Teaching Entrepreneurship to Handicapped and Disadvantaged Youth, Inc. (NFTE). He looked back over the past two and a half years with an understandable sense of pride. NFTE was not only up and running, it had gained national recognition for its work with inner-city youth. During 1989, it served over a thousand youths and raised nearly half a million dollars. 1990 promised to be even better. Nonetheless, Steve felt in his gut that things had to change if NFTE was to continue on its growth trajectory. He worried about funding. "Can we simply count on the continued support of the foundations and individuals who helped get NFTE off the ground? Or, do we need to look into alternative sources?" He worried about quality control. "Everyone raves about our program. How do we assure quality if we grow? How do we find dedicated people? How do we train them adequately?" He also worried about the increasing management burden he was feeling. "I love the teaching, but I could do without the administrative headaches. I don't want to expand if it means I do the administrative work and become a full-time executive." Steve needed to decide how to incorporate his personal goals and the goals of his staff with the larger organizational picture.

Background

After an internal power struggle at Ford Motor Co. in 1979, Steve Mariotti lost his job as a financial analyst. Steve, a graduate of the Business School at the University of Michigan, moved to New York and founded the Mason Import-Export company.

"When I came out of Ford, I was very bruised, real bitter. I had been in this hierarchy and I was on the bottom of it: I was a grade 7 and Henry Ford was a grade 27. I felt constant anxiety. I would go into work and they could pretty much do whatever they wanted with me . . . But the minute I went into business for myself I felt equal to Henry Ford psychologically . . . I felt like, well, I'm president of this company, and he's president of a company. I just don't

Research Associate Alice Oberfield prepared this case under the supervision of Professor J. Gregory Dees as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

have as much capital as he does, and I don't really care. The effect that it had on my own psyche was enormous, marked, and immediate."[1]

During an evening jog in 1981, Steve was mugged by a group of youths demanding he give them $10. Finding their victim penniless, they beat Steve severely. Steve felt confused, he was unable to understand why the kids mugged him over such a trivial sum. "I began to think that maybe it was related to a hierarchy, that these kids were viewing themselves at the bottom of some hierarchy like I had been at Ford. . . . And I just hooked it to my own experience of how I came out of the bottom of the heap by starting a small company."[2]

Realizing that he had developed an uncontrollable fear of the street kids he encountered daily, Steve visited a therapist who advised him to confront these fears. He liquidated Mason, and in 1982 became a typing and bookkeeping teacher in the New York City public schools. Not only would this force Steve to confront his fears, it would give him a chance to provide his students with a taste of the kind of empowerment entrepreneurship could offer. "I asked for the worst schools in the worst neighborhoods . . . I'd go there and ask for troubled kids, because I view those kids as having special opportunities in the field of entrepreneurship. I think the best entrepreneurs have had trouble in a structured environment."[3]

From 1982 to 1986, Steve taught at 11 schools. "I was looked upon as a kook. It was very painful. I was very popular and I got along with the principals and the teachers, but the school system is very authoritative. It destroys the entrepreneur. Having the kids making products to sell didn't go over very well. People kept telling me to teach math and reading skills first. That seemed backwards to me. The students needed a reason to learn reading and math. Entrepreneurship provided that reason."

In 1987, Steve was teaching at Jane Addams Vocational High School in the Fort Apache section of the Bronx. Pat Black, the principal of the school, allowed Steve to teach a special class in entrepreneurial skills. The class was a success. This course eventually turned into the South Bronx Entrepreneurial Project, a "crash course in capitalism." It was given after school, and was designed for the most troubled students. Many had been given the option of taking Steve's course or being kicked out of school.

"The kids filled out sole-proprietorship forms and got their stationery and business cards done. They wrote their business plans, their marketing plans. They did mock sales calls. I took them down to where you register businesses and introduced them to all the people there. I did everything I could to demystify the experience. Then I had them write to several [government sponsored] Minority Enterprise Small-Business Investment Companies. . . . Right away I knew I had something. You'd have these guys sitting in the back and they'd be saying, 'Oh screw you, up yours, blah, blah, blah,' and two weeks later they'd be acting like MBAs." By the end of the year, 10 businesses had been started by Steve's students. He financed the student ventures partially through $1000 in small grants from the Trickle-Up program. The Trickle-Up program provides small grants to young entrepreneurs, but most of the grants are awarded overseas, rather than in the United States. The rest of the money came out of Steve's own pocket. He quickly found himself $18,000 in debt, with a bad credit rating.

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1. *Inc.*, April 1989.
2. *Ibid.*
3. *The New York Times*, Sunday, March 13, 1988.

Steve had intended the hiatus from running his own business to be relatively brief. However, he loved working with the kids in his program and decided he wanted to make entrepreneurial education his full-time occupation. "Entrepreneurship is the catalyst that releases these students' creative energies, their sense of momentum and initiative, and perhaps, most important of all, it encourages them to take responsibility for their own lives. By helping disadvantaged youth improve its own future we will be making a strategic investment in the future strength of our society—especially in the restoration of inner-city communities."[4]

At the end of 1987, Steve founded NFTE as an independent nonprofit organization. In 1988, NFTE received 501(c)(3) status as a tax-exempt educational organization. The mission of the foundation was "to promote entrepreneurial literacy among highly at-risk and economically and or physically disadvantaged minority youth living in America's inner cities and to help each one start his/her own business." See **Exhibit 1** for a brief description of NFTE's entrepreneurial education process.

Making It Work

Steve realized he needed to raise money for his foundation. "I wrote to all the wealthiest people on *Forbes* magazine's list. I received only one reply from my 160 letters." The reply was from an individual in Newark, who introduced Steve to the Boys and Girls Clubs of Newark and the READY scholar foundation. Kids in the READY program who diligently attended a weekly, four-hour after-school program from elementary school through high school would receive a free college education. "[This individual] called me two days later and wanted to see me. I had to borrow money from one of my special education students to make the trip. I got out my suit, and took the train to see him the next day. He gave me good advice and encouragement. I was deeply grateful that someone understood what I was trying to do." Steve received similar support from Barbara Bell, CEO of the Boys and Girls Clubs of Newark, who had worked with the READY program for five years. She gave Steve his first contract—$60,000 to teach in the READY program. Each week, Steve spent sixteen hours teaching elementary school kids, and six hours teaching junior high school students. The Boys and Girls Clubs of Newark also hired Steve to run a separate program for high school students.

Having received his first contract, Steve needed another teacher. He asked Russell Kelly, a fellow faculty member at Jane Addams, to help him part-time with NFTE. Russell accepted, and in essence became Steve's partner in the new venture. Russell had a bachelor's degree in business administration, and was working toward his master's degree in journalism. Russell also had worked as a loan officer for the Small Business Administration, and had held various positions within the New York City Board of Education.

Steve set up an office in his apartment. He was assisted by his fiance, Janet McKinstry. Janet held a bachelor's degree in marketing, and an associate's degree in buying and merchandising. Having founded two companies herself, Janet also had a practical grounding in entrepreneurship. From the beginning, she helped Steve organize NFTE. Many of her ideas were incorporated into the NFTE curriculum. For example, Janet suggested that all the kids should be given a minimal amount of money and taken to wholesalers to buy merchandise for resale, a practice which became a standard part of NFTE's programs and a favorite with all of the

4. 1989 Strategic Plan, National Foundation for Teaching Entrepreneurship.

students. Janet took a special interest in organizing NFTE's Physically Challenged Entrepreneur Program (PCEP).

Steve realized he would need professional help with fund raising and accounting. He hired Mike Caslin as part-time professional fund-raiser. Mike's company, the Caslin Group, advised small businesses and nonprofit organizations, specializing in turnaround situations and revenue growth. He worked from his home in Massachusetts, consulting with approximately ten clients each year. Mike agreed to assist Steve with strategic planning and public affairs. Steve also hired Ken Dillard to work part-time on the financial statements. Ken met Steve through Janet. He was a CPA who specialized in working with nonprofit organizations.

Later in the year, Steve hired yet another Jane Addams teacher, Chris Meenan, to run the Boys and Girls Clubs of Newark program for high school students. Chris had a bachelor's degree in political science from Loyola College, and was working toward a master's degree in business education. He directed the Entrepreneur's Club at Jane Addams. Chris was unhappy teaching in the public school system, and was seriously considering leaving the profession prior to Steve's offer. After working for Steve part-time for six months, Chris became a full-time teacher for NFTE.

During 1988, NFTE received a total of $189,000 in contributions from a variety of sources. Most of this was unrestricted seed money, which NFTE could allocate within its stated mission as its management and board saw fit. The foundation helped start 32 businesses which grossed over $40,000. An additional 495 inner-city youth graduated from an NFTE program. Beyond the programs with the Boys and Girls Clubs and with the physically challenged, a number of efforts were initiated. These ranged from work with Riker's Island inmates to a two-week seminar at the Wharton School for promising high school students from West Philadelphia. The Wharton program was part of the University Community Outreach Program, funded by the Milken Foundation to stimulate business development in the inner cities. Steve received this contract with assistance from Lisa Hoffstein, the director of the program.

Steve's work began to gain recognition. In 1988, he was named the "Best Business Teacher of the Year" by the National Federation of Independent Businessmen, and he won first place in the New York State contest on teaching economics, sponsored by Mobil Oil Corporation. By 1989, NFTE had attracted an enormous amount of attention from the media. Steve was featured as ABC's "Unsung American" for the month of July, and NFTE's programs were covered in the "American Agenda" segment on ABC's World News Tonight. Steve and NFTE were also covered in *Inc.*, *USA Today*, *The New York Times*, and a variety of other publications. This media attention was unsolicited; it occurred as word spread of Steve and his foundation.

During 1989, existing programs grew rapidly, and a number of new programs were started. A franchise of the fast-food restaurant, Jersey Mike's, was opened on Rutgers University's Newark campus. The store would be operated by residents of the Ogden Residential Group Center for Boys (a division of Juvenile Services of the State of New Jersey) along with members of the Boys and Girls Clubs of Newark. NFTE's entrepreneurial education curriculum had been implemented in two New York City high schools during 1988. During 1989, NFTE organized a formal "master teacher" program to train teachers from participating high schools in the entrepreneurial curriculum. Master teachers would receive a monthly stipend for working with students, attending a 4-hour monthly training session at NFTE, and preparing 4 lesson plans each month. NFTE also established a junior teacher program. Students who were graduated from the general NFTE program were trained further to become assistants to the master teachers.

NFTE began an evaluation of its programs under the direction of three professors: two from Columbia Teachers College, and one from the Pepperdine University School of Business and Management. The purpose of this evaluation was to track the long term effects of NFTE's program on its students.

In 1989, Steve hired another full-time teacher, Scott Shickler. Steve met Scott at the annual conference of the Association of Collegiate Entrepreneurs. Scott was a senior at Fordham University, and president of the Entrepreneur's Club at the university. Steve hired Scott to develop further the master teacher program, the junior teacher program, and handle other requests for programs in Manhattan.

Now that Steve had a larger full-time teaching staff, he had a chance to work on developing an entrepreneurial education curriculum. He turned his attention to writing lesson plans with Tony Towle, a poet and writer, and with Rose Reissman, a specialist in curriculum development. Together, they developed 50 lesson plans for use in the classroom.

In this second year of existence, NFTE more than doubled its revenues to $494,000, largely on the strength of foundation grants. Nearly all the contributions for 1989 were restricted, earmarked for specific programs. Some $58,000 was given in small grants for students to start new businesses. In total, 1,173 youths participated in NFTE's various educational programs. Over 90 businesses were started, which grossed $150,000 in revenue.

Feeling the Strains of Growth

NFTE had expanded rapidly in the two years since its inception, and planned to continue that high growth rate in 1990, setting a goal of over $1 million in contributions and 1,400 students (see **Exhibit** 2 for a list of programs developed during 1988 and 1989, and the goals for 1990). With this growth Steve increasingly found himself on the phone and in the office playing the role of administrator. He was also teaching about 700 hours a year. He was personally feeling the strain.

One nagging source of concern was that NFTE lacked accurate and up-to-date financial information. While Ken Dillard had been doing the basic accounting, he worked only part-time and could not keep track of the daily inflows and outflows. Ken was assisted by Anne Hart, who worked three-quarters of a day each week. Anne was responsible for petty cash, and she did not have time to do more. Steve decided to hire someone to manage the office. In late January, Steve hired Michelle Hori.

Michelle was graduating from the Fashion Institute of Technology (FIT) in New York, where she saw the job posted. Michelle wanted one day to run her own business. NFTE seemed an ideal place to acquire the necessary business skills. Michelle faced a formidable task in trying to organize the office, which was still in Steve's apartment. Steve acknowledged that he was primarily responsible for the mediocre performance of the office. He had been trying to minimize his administrative costs, because experience had taught him that foundations were reluctant to fund organizations with high overhead costs. However, Steve began to think there was a trade-off between low administrative overhead and high quality financial reporting.

"As executive director, I do not do an A+ job; it is more like a B-. We don't do any letter writing to speak of. Phone calls too often go unanswered. Much of the structure a good organization should have, we don't have. I would often take checks to go to one place or another. I would use them and sometimes they wouldn't get recorded in the check book. On several occasions, checks did not have a back-up explaining why they were written. Our financial statements came out only every six weeks or so. Recently, I've turned over a new leaf. Ken will enter all checks in the books; he knows all the allocations. I don't touch the checkbook. I write down what checks I need written and why. Michelle writes them. Anne makes sure that there is back-up documentation for the checks, and lets me know which ones don't have back-up. Ken posts them in the ledger."

During the spring of 1990, Steve and Janet broke off their engagement. Janet decided to go to divinity school, and announced that she would leave NFTE once she trained a successor. She chose Kevin Greaney, who had been helping with fund raising for the PCEP program. A few weeks later, Janet agreed to continue to consult for NFTE on a part-time basis. She intended to start her own foundation, a job placement and training agency for, owned, and operated by physically challenged adults.

This break-up threw Steve even more deeply into his work. He began to realize that his involvement in NFTE constrained his ability to maintain a personal life. This realization was magnified by the fact that NFTE still had its office in his apartment. A one-bedroom apartment with a loft, the apartment had no room for conferences or other private meetings, let alone personal space for Steve. Steve and Michelle began to discuss the feasibility of moving to new offices.

Steve's lack of private space was also important in terms of his work with his students. Steve had always believed that the effectiveness of NFTE was based 90% on camaraderie between the staff and the students. Steve was training youths who often had been physically or emotionally hurt, and he attempted to provide them with unconditional support. NFTE had a 24 hour, open door policy. It had taken time, but Steve had built strong and unique relationships with the kids in his programs.

As often as three times a week, kids would show up at Steve's door after midnight. Steve would speak with them and try to help them out, but it began to overwhelm him. He did not believe any of the kids would hurt him, but he began to be concerned that he was encouraging his students to be overly dependent on him.

The issue of dependence involved more than Steve's personal privacy. Steve had been criticized for giving the students grants, instead of loans. He had tried both methods. "We feel the business start-up is very important. We give away 12% to 14% of our gross revenues to the kids. When I first started, before I had 501(c)(3) status, I gave the money as an investment. The kids had to sign a form saying they owed me money. It didn't work out at all because I became the collection agent. It ruined my relationship with kids. So now, everything we do for the kids, they own. I have been thinking that maybe with our best kids, the ones going to college [e.g. in the Wharton program], we could have them repay the money, make it more like the real world. But it adds a strain to the relationship. When you have to bring up money each time you see the kids, they stop coming over. You lose the camaraderie."

Steve acutely was aware of collection problems because NFTE was having difficulties collecting payments from the sponsoring institutions for its various programs. "A number of our big clients are late paying their bills. We are small, we cannot carry these multimillion dollar places on our accounts receivable. I have to keep calling and saying, 'Look, I cannot do anything if I have no cash.' I know that our program has value for their clients. We attract donors to their programs and we help them make money."

"Our biggest problem is cash flow. We don't really have a credit rating, so we have to pay for things in cash. We have no reserves and the larger organizations don't pay us on time. It is very unpleasant and it puts a lot of my stress and time into accounts receivable. Plus, I begin to worry about the relationship when people don't pay. My relationships with these people are so tight, someone else calling them wouldn't be the same. By the same token, they know Michelle's salary depends on their money. So I call in the morning, and have Michelle call in the afternoon."

Steve resented the fact that so much of his time had to be spent on the phone and in the office. "At first, an organization needs a crazy guy willing to work seventy hours a week. But after awhile, it definitely has some negatives for me and the company. It lowers productivity and morale, it is very difficult not to develop edges in my personality. I am here seven days a week. If I could get an MBA in here, and get a real office, it would help."

By June of 1990, NFTE had raised $273,000 and was waiting to hear about a number of other large grants. Nevertheless, Steve was worried about the viability of relying on foundation money in the long term. "We cannot continue to rely on foundation money. They only want to fund a project for the first few years, not for the long term. I would think it wouldn't be too hard to raise the money from wealthy individuals if we could find the right folks." To facilitate fund raising, Steve was advised to change the composition of his board of directors (see **Exhibit 3** for a list of original and new board members). "Up until five months ago my board was my friends and my brother. I started being attacked for that, so I brought in some outsiders. I was nervous at first, because I didn't know what they were going to say or do. In a nonprofit, since you don't own the business, you don't have control. If I lose one board vote, it's a serious issue."

The most difficult fund-raising issue revolved around whether or not to accept money from government sources. "I grew up in a libertarian family, where you do anything you want as long as it is not coercive. We believe in minimal government." On the other hand, Steve was committed to running a quality program, and NFTE would need money to maintain its quality. Steve commented on this dilemma. "What a hypocrite I have been. I don't feel that education should be publicly funded. Yet, guess who was instrumental in helping many of our clients win government money? We need to come to terms with that hypocrisy and my uncertainty, and think this through. Maybe it's not black or white. If we don't take these grants, someone else will get them. But I have seen how agencies that begin to rely on state funds lose their quality. I think it would be better if we gave vouchers to parents to spend on any school they want for their kids."

Steve examined the methods used by similar organizations to fund educational programs. The three primary ones were Edteck, Youth Entrepreneur Services (YES), and Junior Achievement. Edteck is a for-profit firm which operates out of Camden, New Jersey. It is funded primarily from city and government contracts, and sells its own curriculum. Edteck has been in the field for over 20 years, but its programs have increasingly focused on adults and teacher training.

Like NFTE, YES and Junior Achievement are 501(c)(3) organizations, and are funded through donations and contracts. YES is based in Berkeley, California, and directed by Kathleen Black Sullivan. Steve and Kathleen have discussed working together. YES works primarily with young adults. Junior Achievement does not work with at-risk kids. It focuses on teaching the corporate model instead of concentrating on the sole proprietorship. Students work in teams of 30 or 40, and start small corporations. "Junior Achievement is somewhat of a thorn in our side," Steve commented. "When a foundation says 'no' to us, it is often because they have already given money to Junior Achievement. We then have to go into a long discussion of why we are different."

Steve was also considering how to best utilize his time and the time of his staff to meet the challenges of the coming year. Personally, Steve loved teaching and he was good at it. Eighty-percent of his teaching was with elementary school kids in the READY scholar program, the rest was with the prison entrepreneurs program and the Wharton program in the summer. Working closely with Lisa Hoffstein, Steve had agreed to duplicate the Wharton two-week seminar at Columbia and Berkeley during the summer of 1990. Steve believed these seminars were some of NFTE's best programs, and he was excited about leading more of them, but where would he get the time? He would not be able to lead more than a few seminars in one summer.

"So far, I have been able to lead these programs with Russell helping me. But next summer I won't be able to run all of them. I need to find someone who can do it on their own. It's two weeks, eleven days for eight hours a day. It's very intense. How can I get my staff up to speed where I know they are going to do it just right. It's very difficult. You have to be able to anticipate problems, and you have to keep the kids interested. In the two years that we have done the Wharton program, we've had 98% to 99% attendance. This year, we had only three absences out of forty kids. It's very easy to slip just a little bit and have forty absences. There's an edge in education, where if you go over it, it's a free fall. Once you let the tension go, everything goes. You come in late, the kids don't show up. I always want to be on an edge where there is a tension and you are running an A to A+ show."

Despite being somewhat protective of these seminars, Steve has been very pleased and impressed by the dedication and talent of his staff. "What I look for are people who are very entrepreneurial. I want them to believe that teaching is heroic, especially at the pre-college level. In the public schools, everyone is so depressed. Teachers are low-level bureaucrats. There are no incentives to reward people. I try to treat my staff like tenured professors at Harvard. Their pay is much better than in the school system. Here, each person is in total control of their division. They raise their own money, and pay 15% of these revenues into a general fund for administration."

"We don't really have a structure. Everyone talks to me. Still, the lack of structure has a tendency to work for us. We make decisions quickly. I began holding Friday staff meetings where we discuss lesson plans and present new ideas. It keeps us fresh. Everyone knows each other really well. We are very committed to the professionalization of teaching."

The NFTE staff expressed some of their opinions about the organization and its future.

Janet McKinstry: "I think it is easier to raise money as a nonprofit, but NFTE could be a for-profit. We could ask for more money for our programs. We have to run it like a business. First, we need new office space and room to train students in the office. Five years from now, we could sell the curriculum. We could train teachers that way, and take the Wharton program national. Scott and Kevin have really expanded their programs. Maybe we could work in other cities, or even franchise. I think we should try to get more corporate involvement."

Russell Kelly: "I understand the concern about government money, but we need to be flexible. I think we should take money wherever it comes from, to make sure we give quality programs to as many students as possible. Bureaucracy can be a problem. One issue we face is staff development. What sort of growth opportunities can NFTE provide beyond the classroom, beyond base programs? I have started my own consulting firm. One concern I have is drawing the line between my work for NFTE and work for my firm. Opportunities come along that do not suit NFTE. If they benefit the community and fit with my interests, I feel that I should pursue them outside of NFTE. Maybe we need a policy on this."

Chris Meenan: "I worry about how taking government money directly would affect my freedom in the classroom. I do not want to be constrained by government regulations. I had a bad experience with the board of education. But I am torn. The question is, how do we do the most good for the inner cities? Do we teach the kids ourselves, or do we teach the teachers? We need to decide what our philosophy is."

Scott Shickler: "NFTE needs to move away from relying heavily on donations. Over the next year, I would like to get 85% of my revenue in the New York City division from private contracts. These contracts, along with other youth-service organizations [i.e. Boys and Girls Clubs], would build long-term financial relationships while perpetrating our own mission to teach at-risk youth the fundamentals of economic and entrepreneurial concepts. NFTE adheres to the cost-effective philosophy that channeling money into education prevents, rather than corrects, the destruction of our inner-city."

Kevin Greaney: "Corporations all complain about the inner-city, but they won't give money. And no one wants to give money to overhead. Everyone here does their own fund raising, which means we have some problems with communication and internal competition. We should concentrate on expanding geographically, first up and down the eastern seaboard and then in the south and California."

Michelle Hori: "We generate so much paperwork, too much for me to handle by myself. I wish we could hire a full-time finance manager, so I could concentrate on coordinating programs and the logistics of the office."

Ken Dillard: "We have severe budget constraints. I would like us to have money where we can 'take it and run,' where we wouldn't have to be involved with the giver. We have a lean staff. Everyone is involved in so many aspects of the business. We generate a ton of paper, checks, etc.; it is difficult to put them together. We need to get everyone together from a corporate standpoint. Everyone shares the same vision, but it shouldn't be competitive. We need to work together but give each other freedom to operate within that."

As Steve glanced around his apartment, he tried to sort out his own vision of the future. He had just been informed that one of his "kids" from Newark had been accused of murdering a woman. Sometimes Steve was overwhelmed by the violence that occurred daily in these kids' lives, but it further committed him to continuing his work with inner-city youths. He knew how he ideally would like to work, "I would like to just teach and do curriculum development. I would like to have 100 lesson plans. I do not want to do research or evaluate results. I do not want to talk on the phone all day. I do not want to fund raise more than five hours a week. I don't want to be constrained in helping kids start new businesses. I'd like to have $200,000 to $300,000 to fund the start-ups."

"I love my work [teaching]. I could do it all day, nonstop year round. When I'm teaching, I feel zero stress. I am about the happiest man in the world. During the summer, I'm in ecstasy. Every day during the summer, I cannot wait to go to work. I'd like to do that year round. I'd teach a two week seminar, take a week to reorganize and correct my mistakes, and do it again. I would like to be the greatest classroom business teacher in the history of America. I do not have any desire to be a great administrator."

The objectives stated in the 1990 strategic plan summarized Steve's goals for the foundation. "After demonstrated success from 1990 to 1992, in the South Bronx, Manhattan, Brooklyn, and Newark, NFTE hopes to become a model for emulation by other inner-city areas throughout the country and by doing so empower a whole generation of minority youth to create their own wealth."

Exhibit 1 The Entrepreneurial Education Process[a]

We first have our students master basic reading, writing and math skills (they learn to do their own bookkeeping and figure their own taxes); and basic human values (such as initiative, honesty, and persistence) are installed. We teach them to:

- identify and utilize basic economic concepts, such as cost-benefit analysis, supply-demand, and opportunity costs;
- become alert to economic opportunities;
- write a business letter, memos, and how to prepare a basic contract;
- read the *Wall Street Journal* and do basic business research;
- register the company with the proper municipal agencies and how to open a bank account;
- print business cards, fliers, posters and stationery;
- find a product in the wholesale markets, set the price, and develop the techniques for marketing and direct sales of a product line;
- sell by training with video-taped simulated sales presentations, this encourages self-analysis, builds self-confidence and improves communication ability;
- plan and write a business plan with a view to securing venture capital;
- develop job-getting skills which include resume preparation and interview techniques for those students who choose not to establish their own businesses right away.

NFTE then arranges for on-site visits to, and internships in, successful businesses run by Black and Hispanic Americans and invites these established minority entrepreneurs to come to our classes to answer questions, share ideas, and in general be inspiring as role models.

Finally, NFTE has a graduation and awards ceremony. This serves as a formal recognition of the students' achievements and provides a source of positive feedback where there often had been none prior to the graduation.

After graduation every graduate is encouraged to become a part of the NFTE Alumni Network and are invited to workshops via a quarterly newsletter published by NFTE.

a. 1989 *Strategic Report*. National Foundation for Teaching Entrepreneurship.

Exhibit 2 NFTE Programs

Direct Service Programs[a]

1. Boys and Girls Clubs of Newark. Elementary and high school students at the Boys and Girls Club are trained in entrepreneurial skills.
1988: 200 kids trained
17 businesses started
1989: 715 kids trained
20 businesses started
Budget: $252,000
1990: 900 kids to be trained
Budget goal: $383,000

2. Master Teacher and Junior Teacher Program (originally the South Bronx and Manhattan programs). Teachers receive entrepreneurial training from NFTE, and teach this entrepreneurial curriculum in high schools in the South Bronx and Manhattan. It is anticipated that 6 master teachers and 12 junior teachers will be trained in 1990.
1988: 265 kids trained
1989: 300 kids trained
Budget: $126,875
1990: 300 kids to be trained
Budget goal: $170,000

3. Governor Kean's Entrepreneurial Education Program: NFTE runs an intensive two-week summer program held at Rider College and funded by Gov. Kean for poor, inner-city youths. This is a pilot program to search for the most effective minority economic development program.
1988: 24 kids trained
1989: 35 kids trained
Budget: $19,000
1990: 40 kids to be trained
Budget goal: $25,000

4. Ogden Youth Home/Riker's Island. NFTE provided entrepreneurial education and training for Riker's Island inmates. In 1989, inmates from the Ogden Youth home in 1989 were added to the program. A number of these youths work at Jersey Mike's, the fast-food franchise on Rutgers University's Newark campus.
1988: 55 inmates trained
1989: 60 inmates trained
Budget: $35,000
1990: 75 inmates to be trained
Budget goal: $38,000

[a] 1990 numbers are projected figures.

5. University of Pennsylvania—Wharton School of Business: NFTE was selected as the most effective program in the nation to teach entrepreneurship to inner-city youth and runs an intensive two-week program in conjunction with the University of Pennsylvania Graduate School of Business. These students are economically disadvantaged, but are less poor than the students in New York and Newark. Most expect to go to college.

1988: 36 kids trained
1989: 40 kids trained
Budget: $25,000
1990: 40 kids to be trained
Budget goal: $25,000

6. Physically Challenged Entrepreneurs. Students with physical disabilities are trained in entrepreneurial skills.

1988: 2 kids trained
1989: 23 kids trained
Budget: $43,125
1990: 50 kids to be trained
Budget goal: $250,000

7. Madison Square Boys and Girls Clubs of New York. Elementary and high school students at the Boys and Girls Club are trained in entrepreneurial skills.

1990: 70 kids to be trained
Budget goal: $40,000

Support Programs

The following NFTE projects were undertaken to support the direct service programs.

1. Telephone hotline for NFTE entrepreneurs. A hotline operating between 7 and 11 P.M., Sunday through Thursday. A consultant answers questions on small business and employment. Started in 1989, this hotline received an average of 19 calls each week. 1990 budget goal: $7,500.

2. Classroom curriculum program. In partnership with the Boys and Girls Clubs of Newark, NFTE is developing a complete curriculum to meet the special educational needs and skill deficits of economically and physically disadvantaged minority youth. 1990 budget goal: $100,000.

3. Public affairs for policy makers and educators. NFTE plans in 1990 to publish a book featuring a compiled series of articles by innovators in the field; a video with in-depth interviews of youths and the difficulties of starting their own businesses; and distribution of articles written by NFTE staff. 1990 budget goal: $74,000.

4. NFTE venture fund for Young Entrepreneurs. Funds would be used to support start-up and expansion of businesses. Young entrepreneurs presenting business plans would be eligible for grants of $100-$400. The maximum amount provided to any one person would be $10,000. Money for this fund is placed in a restricted NFTE bank account. 1990 budget goal: $78,400.

Exhibit 3 NFTE Board of Directors

1989

Mark Benenson, Esq., Partner, Benenson & Kates

Bella Frankel, M.A., Teacher, Jane Addams Vocational High School

Verne Harnish, President, Young Entrepreneurs Organization

Rev. John McKinstry, Otis, MA (Janet's father)

Jack Mariotti, C.P.A. (Steve's brother)

Steve Mariotti, M.B.A., President/Founder, NFTE

Eric Soto, Manager, Community and Government Relations, Con Edison, Inc.

June 1990

Al Abney, President, Abney Manufacturing

Mark Benenson, Esq., Partner, Benenson & Kates

Bella Frankel, M.A., Teacher, Jane Addams Vocational High School

Verne Harnish, President, Dolphins Development, Inc.

Steve Mariotti, M.B.A., President/Founder, NFTE

Leo McKenna, Director and Trustee, John Brown Cook Foundation

Eric Soto, Manager, Community and Government Relations, Con Edison, Inc.

Exhibit 4 NFTE Organization Chart

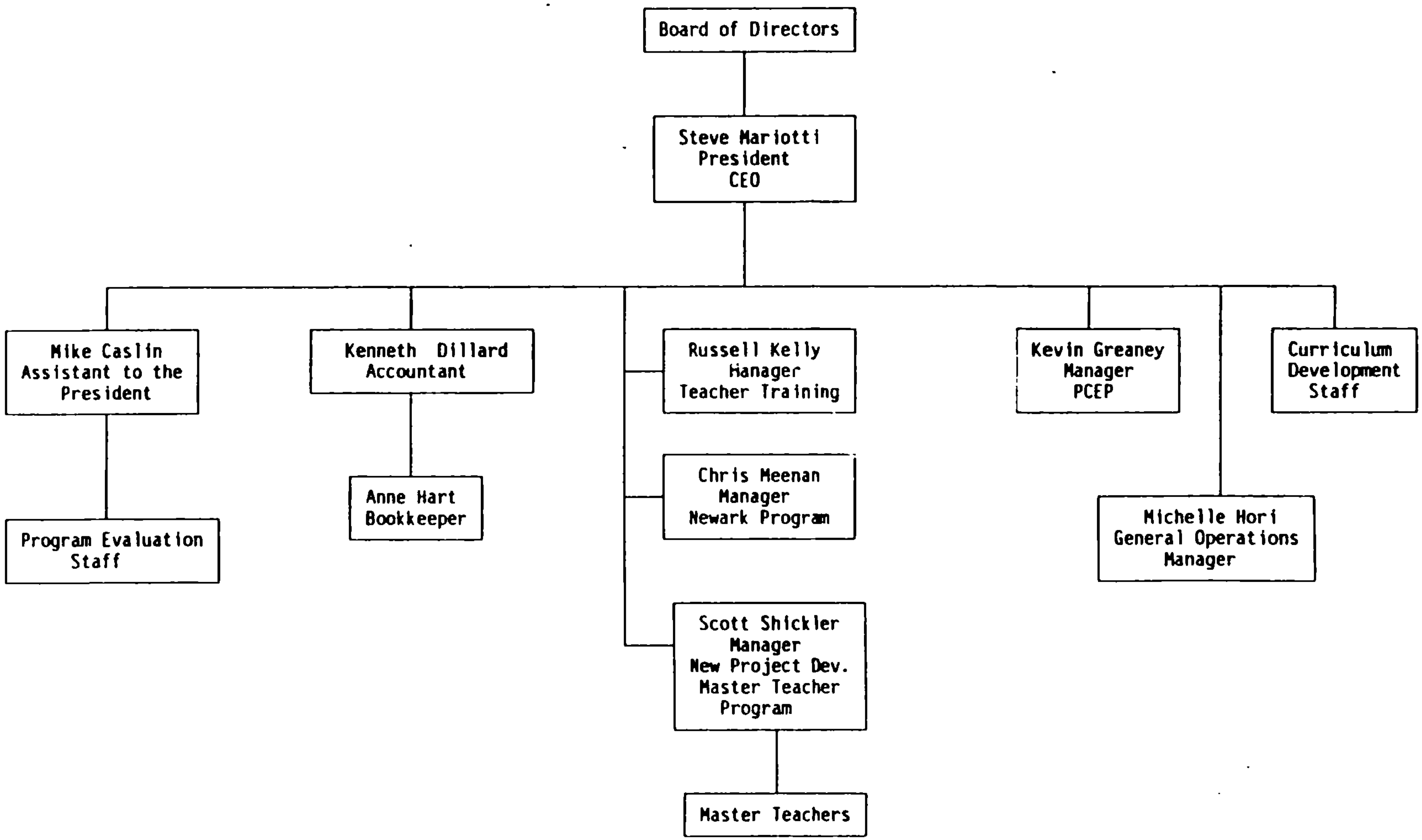


Exhibit 5 NFTE Balance Sheet

	Dec. 31, 1988	Dec. 31, 1989
Assets		
Current Assets		
Cash	33,471	13,535
Prepaid Expenses	0	500
Other	0	3,735
Total Current Assets	33,471	17,770
Fixed Assets		
Furniture and Fixtures	0	8,453
Equipment	0	4,527
Total Fixed Assets	0	12,980
Depreciation	0	(1,246)
Net Fixed Assets	0	11,734
Total Assets	33,471	29,504
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and payroll taxes	1,036	11,061
Total Current Liabilities	1,036	11,061
Fund Balances		
Fund Balance - Unrestricted	23,435	1,808
Fund Balance - Restricted	9,000	16,635
Total Fund Balances	32,435	18,443
Total Liabilities and Fund Balances	33,471	29,504

Note: The numbers in this exhibit have been adjusted for the purposes of the case.

Exhibit 6 NFTE Statement of Support, Revenue, Expenses, and Changes in Funds

	1988	1989	YTD Ending June 30, 1990
Support (Contributions)			
Corporations	61,600	8,620	2,000
Foundations	72,030	453,032	268,000
Federal Grants	24,641	19,000	0
Individuals	30,560	11,590	3,500
Total Support	188,831	492,242	273,500
Revenue			
Interest Income	120	1,602	200
Other Income	0	1,106	6,300
Total Revenue	120	2,708	6,500
Total Support and Revenue	188,951	494,950	280,000
Expenses			
Program	101,531	429,581	219,100
General & Administrative	29,620	23,248	54,900
Fund Raising	25,366	56,112	18,000
Total Expenses	156,517	508,941	292,000
Excess of Revenue Over Expenses	32,434	(13,991)	(12,000)
Fund Balances, Beginning of Year	0	32,434	17,899
Fund Balances, End of Year	32,434	(18,443)	5,899

Note: The numbers in this exhibit have been adjusted for the purposes of the case.

Clinton Presidential Records
Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: G

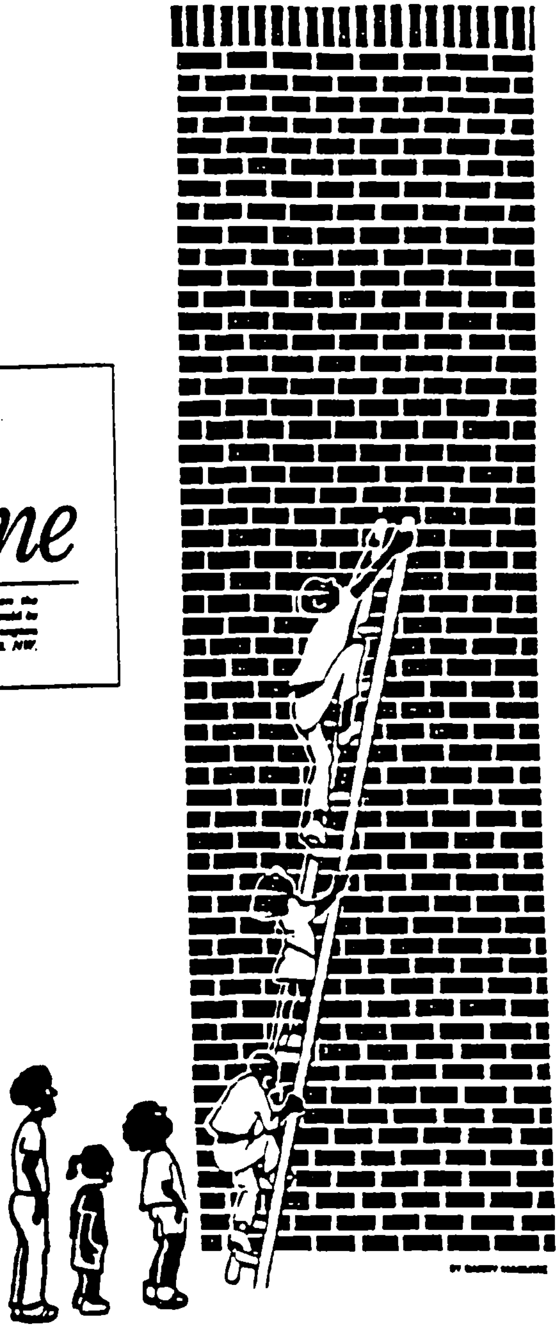
The Washington Post

SUNDAY, JULY 17, 1994

One Rung at a Time for the Climb Out of Poverty

Close to Home

Close to Home welcomes pieces on the local community. Submissions should be sent to Close to Home, The Washington Post Editorial Page, 1150 15th St. NW, Washington, D.C. 20071.



... While an Entrepreneurial Program Puts Them in Business

Jadonna's mother works every weekday from 6:30 a.m. until 11 p.m. to provide for Jadonna and her three siblings. Jadonna's father is gone.

Jadonna's 16-year-old brother is incarcerated and awaiting trial for attempted murder, a charge the family believes is false. Jadonna is 17 years old, unmarried and the mother of an infant girl.

Knowing only these facts, it's easy to imagine a bleak future for Jadonna and her family. Still, I am confident that Jadonna will break through the cycle of poverty and lead a rewarding life.

That's because on June 2, after five months of hard work, Jadonna, along with 100 other Washington youths, aged 12 to 18, graduated from the Young Entrepreneurs of Washington, D.C., a program of the National Foundation for Teaching Entrepreneurship (NFTE). In the District, the NFTE has been working to provide teachers with the expertise to educate at-risk youth in economic principles and practical business skills.

The entrepreneurs program enables students to create their own successes. The children of the inner city possess remarkable traits—mental toughness, a willingness to take risks and a tremendous resilience—that, when combined with the entrepreneurial spirit, can lead to exceptional business success. In addition to imparting practical skills, entrepreneurship also teaches values important for society: honesty, humility, responsibility, regard for others and appreciation of the future, among others.

Furthermore, small businesses are the primary source of new employment in America, so enabling urban youth to create and manage their own small businesses is critical for the revitalization of our inner cities.

Most Young Entrepreneurs are low-income African American and Hispanic students. Nationally, just a little more than one percent of each group own their own businesses. In contrast, 14 percent of NFTE students go on to successfully operate small businesses.

While the first step toward advancing entrepreneurship among disadvantaged youth is the transfer of knowledge, we cannot stop there. Children in poverty have practically no access to capital. In fact, welfare recipients who accumulate more than $1,000 in savings lose some of their benefits. Unfortunately, government-mandated licensing fees and zoning permits frequently amount to more than $1,000, thereby excluding even the most creative and industrious youth from opportunities to create wealth. Ironically, these well-intentioned regulations effectively keep out those who are struggling to escape poverty.

My foundation provides the Young Entrepreneurs program with the funds to sponsor a competition for venture-capital awards ranging from $300 to $1,000. To win an award, students must design a business plan, which is then evaluated in the same way that an investor would assess a prospective investment. The students submitting the 12 best plans are given start-up capital for licenses, permits, equipment and other expenses.

Jadonna is one of this year's award winners, and she will use her capital to purchase a hairdresser's chair. She already spends 35 hours a week braiding, plaiting or weaving hair for customers—while maintaining a 3.5 grade point average at Cardozo Senior High School. She offers customer-oriented service, guaranteed satisfaction and reasonable prices. It is no wonder that her company turns a profit.

Jadonna and her NFTE classmates give us reason to have faith in the future of America's urban centers. They show what can happen if we tap the potential and nurture the inherent talents of "at-risk" youth.

—*David H. Koch*

heads the David H. Koch Chai[illegible] Foundation.

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Officers of Multi-Cultural Youth Education Inc., from left: Dahaomine Moody, Patrice Tsague, Gina Dorceus, Brandon C. Bellamy and Susann Diggs. MCY is a nonprofit consulting company that tries to help foster young entrepreneurs.

BY JUANA ARIAS—THE WASHINGTON POST

'At Risk' Youths Get the Business, and a Chance

By D. Richard de Silva
Washington Post Staff Writer

Brandon C. Bellamy says he used to be a classic example of a "self-destructive African American male." From the time Bellamy was 16, he stole cars, sold drugs and found trouble in Forestville. By the time he was 19, he had been charged with malicious destruction of property, possession of a firearm and grand theft auto.

Three years later, Bellamy has dropped drug dealing for a legitimate business, a strong faith and some control over his life.

As an independent contractor, he sells houses and is putting together an investment group to speculate in the real estate market. Bellamy, 22, executive director of Multi-Cultural Youth Education Inc., preaches the gospel of entrepreneurship, hoping to give other young African Americans a way out of the cycle of drugs, violence and despair.

MCY, a nonprofit consulting company, is building a network of current and future African American business leaders to foster entrepreneurs under age 26. "If we're young enough to kill each other, then we're young enough to start our own businesses," said MCY founder and president Patrice Tsague, 21.

Several D.C. groups are launching or planning programs that follow the same credo. The programs range from foundation-sponsored courses in public schools to community workshops, and they have targeted about 2,000 "at-risk" youths annually in their efforts to translate street smarts into business smarts.

These groups—including MCY, Junior Achievement, the National Foundation for

See ENTREPRENEURS, Page 8, Col. 1

Business Programs Give 'At Risk' Youths a Working Alternative

ENTREPRENEURS, From Page 1

Teaching Entrepreneurs, the Educational Development Institute—may not produce instant success stories, but they offer youths hope, recognition and "a lot of good life skills kids don't get enough of," said U.S. Attorney Eric H. Holder Jr., a board member of the Foundation for Teaching Entrepreneurs' D.C. program.

They also offer children a real-world reason to stay in school and may even help reduce crime, Holder said. Such results are especially important in the District, where as many as 15 percent of high school students skip class daily and homicide is the leading cause of death among African American teenagers.

Nkongchuh Tazanu, 18, started selling drugs when he was 12.

Tazanu said he had tried to make money washing cars, cutting grass and peddling decorative bookmarks, but he always went back to selling drugs because he was interested in more than "just getting by."

"Most kids on the street are business-minded," said Tazanu, who lives in Takoma Park. "They know how to make money. They use the resources they have. And that's drugs."

But joining Tsague's Multi-Cultural Youth Education program has not increased his cash flow so much as his expectations of himself. Tazanu, now a student at Prince George's Community College, said he knows that he can make a comfortable living legally—without risking arrest or death.

Tsague, co-founder Gina Dorceus and Bellamy are grooming more than a dozen young African American entrepreneurs.

In MCY's makeshift conference room in the basement of 612 T St. NW, where the walls are almost obscured by stick-'em notes full of brainstorming ideas, they help prospective entrepreneurs develop business plans and match them with established African American business people who can give them advice. The support group has 125 members—including 45 young people—but no major sources of funding.

"Once we begin to work together, then we can reach out to the rest of the world," Tsague said. "If a member needs help, we'll look in our resource pool and find them someone who can help."

Several MCY members are trying to obtain $500 loans from the Cooperative Assistance Fund—a 25-year-old, D.C.-based nonprofit group that started a loan contest in June for young, minority entrepreneurs. Tsague said he is negotiating with area banks to arrange small loans for young entrepreneurs.

Jadona Coats had a baby when she was 15 and stopped going to classes at Cardozo High School in Northwest. Coats said she used to drop by school in the morning, pick up her daily assignments and head home to care for her daughter, Jasmine, whom she is raising without the father's help.

Coats said enrolling in the National Foundation for Teaching Entrepreneurs program made her a more diligent student and has helped her pursue her dream of opening a beauty school. This year, she expects to make $9,600 for braiding the hair of a steady stream of clients.

Coats, 17 and a senior, has business cards, a business plan for a beauty shop that won her a $300 NFTE grant and a desire to go to college "so that I can teach my daughter what she needs to know." She also has secured a $400 loan from the Cooperative Assistance Fund to help "establish her credit."

"They give you confidence in yourself and give you a way to avoid getting out there on the street," Coats said.

Mena Lofland, one of her teachers at Cardozo, said Coats's "whole attitude has changed." Lofland said that even if the program doesn't mint prospective millionaires, it gives teenagers and young adults self-esteem and recognition and provides "an alternative to all the things that are going on in the street."

"If a young girl like Jadona has the satisfaction of her own business, she won't need to depend on young men for her self-image," Lofland said. "She won't have time for somebody who wants to just use you. She can just push them away."

NFTE takes specially selected at-risk youths through a "mini-MBA class" that's peppered with profiles

The Washington Post

DISTRICT WEEKLY

THURSDAY, FEBRUARY 24, 1994

New Program Gives Students the Business

By Susan Herendeen
Capital News Service

Students from six D.C. schools are getting a chance to buy low and sell high in courses designed to launch them as business owners.

The program gives students confidence in themselves and teaches them basic business skills that they will need to get jobs when they graduate, supporters said at a news conference last week.

The David H. Koch Charitable Foundation fully funded the classes for the first two years with a $1 million grant. Another nonprofit group, the National Foundation for Teaching Entrepreneurship, designed the courses and trained the teachers.

The project is a "perfect example of the old biblical adage: If you give a man a fish, he will eat for a day. If you teach a man to fish, he will eat for a lifetime," said David Koch, executive vice president of Koch Industries and head of the charitable foundation.

The teaching foundation believes that young people from poor neighborhoods have what it takes to become small business owners, because they are forced by circumstance to be tough-minded, resilient and willing to take risks, said the group's founder and president, Steve Mariotti.

Hine Junior High School students are participating in the classes, along with high school students from Roosevelt, Cardozo, Anacostia, Bell Multicultural and the Options School.

Nneka Nwankea, 16, a senior at Roosevelt High School, said she was recom-

See SCHOOLS, Page 2, Col. 4

Grant

SCHOOLS, From Page 1

mended for the class by her teacher and hopes to study business in college.

In the program, each of the 115 students takes a 50-minute entrepreneurship course every school day.

Each pupil gets a BIZBAG, or business startup kit, that contains a sales receipt book, a record-keeping book, a business-card holder, an address book, a calculator, a watch and a dictionary, said Kevin Greaney, a spokesman for the teaching foundation.

Students are given $10 to open savings accounts.

They are given an additional $50 to buy wholesale merchandise, then are told to make posters and fliers to advertise their goods and sell them at flea markets, Greaney said.

At the end of the term, the students with the best plans compete for $500 grants to start real businesses, Greaney said.

"Our youngsters can do whatever we provide them the opportunities to do," said D.C. School Superintendent Franklin L. Smith.

Smith said he was glad to be offered a program that he did not need to fund and that had the support of school principals.

The teaching foundation was established in 1987 by Mariotti, a former businessman turned schoolteacher. He began with one student entrepreneur program in New York's South Bronx neighborhood and now supervises programs in 10 cities.

Fifteen percent of the students who have taken the course in other cities have started small businesses that have lasted at least six months and generated more than $5,000 a year each, Koch said.

The teaching foundation has raised $3.5 million in private donations and educated 5,000 students in the last seven years. About 2,200 students nationwide will take the course this year, Mariotti said.

THE BOSTON GLOBE • MONDAY, OCTOBER 19, 1992

'What people don't realize is that a lot of business has to do with jumping in and taking a chance. Kids learn by immersion and by doing.'

STEVE MARIOTTI

GLOBE STAFF PHOTO / BILL GREENE

Steve Mariotti lectures New York teachers about his inner-city program.

Prescription for beating drugs

Crash course in capitalism tries turning youngsters into entrepreneurs

By Diane E. Lewis
GLOBE STAFF

As president of a thriving import-export business, Steve Mariotti thought he had it made.

But when five teen-agers mugged him for $10 in 1981, Mariotti traded his executive suite for a job teaching business skills to streetwise youths in the Fort Apache section of the Bronx.

Now he is a sought after guru of social change. While specialists despair over the future of America's inner-city youth, he travels around the country pushing his own prescription for beating drugs and gangs: Spend money teaching kids how to be entrepreneurs, and America will spend less on cops and jails.

"People say, 'How can you teach a kid to start a business when he can barely read or do basic math?' " Mariotti told 20 teachers from Madison Park High School last week at the United Way in Liberty Square. "What people don't realize is that a lot of business has to do with jumping in and taking a chance. Kids learn by immersion and by doing."

Some call it a crash course in capitalism. Whatever the formula, Mariotti's program appears to be working – and growing.

One success story: Michelle Araujo, a 20-year-old single mother of two from New Bedford who turned a passion for fashion into a home-based boutique that offers "stylish clothes at cheaper prices," she said.

Araujo, who wants to study social work and has enrolled at Bristol Community College, buys clothes wholesale, marks them up and makes a bit of a profit on the resale. "There are very few small clothing boutiques on Main Street in New Bedford," she reasoned. "But people want to shop in intimate settings."

MARIOTTI, Page 24

I ves o 's B s ess Da ly
"The Newspaper For Important Decision Makers"
Wednesday, April 22, 1992 NATIONAL ISSUE
LEADERS & SUCCESS

Educator Steve Mariotti:

Helping Street-Smart, At-Risk Kids Become Entrepreneurs

By Thomas McArdle
In New York

Serena Felder, 21 and a Bronx native, sells watches and lingerie.

She buys in bulk from the wholesaler and charges several times the wholesale price — which still ends up being a pretty good bargain for her customers, mostly her mother's friends and friends of friends.

To the high-powered brokers on Wall Street, several blocks away from where Felder is giving this interview, this may sound laughably insignificant. But few of them have had the kind of personal challenges in their lives that she has.

As young as she is, Serena has been in Riker's Island jail for a drug-dealing offense. And she has been smart enough and brave enough to turn her back on that life.

Doing that was a little bit easier with some help from Steve Mariotti and his nonprofit National Foundation for Teaching Entrepreneurship. Mariotti, president and founder of NFTE (pronounced "nifty"), wanted to take the natural aggressiveness of street-smart, often trouble-prone kids in America's cities and slums and turn it into business sense, often one child at a time.


Steve Mariotti

An MBA who had been a financial analyst in the treasury division of Ford Motor Co. for almost three years, Mariotti was running his own import-export company at 28 when he was spurred to re-evaluate his career.

Jogging on the lower East Side of Manhattan near his home, Mariotti was brutalized by five armed youths. Devastated by the ordeal, he toyed with the idea of getting a gun. Instead, he decided to confront his fears by becoming a teacher of business skills to the very same kind of kids who had victimized him.

But he found that New York City schools' "business" programs were off the mark.

"There's an emphasis on typing and shorthand. They may be very important skills, but those skills don't excite a lot of kids," Mariotti said during an interview in NFTE's modest offices near Wall Street. "What does excite is

Continued on Next Page

Mariotti Helps Kids Become Entrepreneurs

From page 1

teaching about ownership, making money, creating value, creating a little business."

At Jane Addams Vocational High School in the Fort Apache section of the south Bronx, Mariotti was given 18 dropouts, all considered hopeless cases, for his special education program. Serena was one.

Mariotti worked with them for two years, spending two hours a day teaching them how to start a business and one hour teaching remedial skills, while they worked jobs the rest of the time.

"Normally with special ed, when you have 18 kids you may have two left at the end of the year," according to Mariotti. "We had 15. That's unheard of."

Some Successes

Three are now in college, one is a senior. Two, as teenagers, built businesses with over $500 in monthly sales. One built a business with over $15,000 in annual sales. At least seven got high school diplomas or the equivalent. "That goes high above the average for special ed," he said.

One young woman, who had no reading or math skills when she entered the program, started a small street vendor business, then moved out of the New York area and is now a bank teller.

For two, the program was a failure, Mariotti says, and he heard that one was murdered.

All in all, this is an incredible record of success for children whose schools considered them beyond hope. "It was my first major breakthrough at applying this craft to highly at-risk kids," Mariotti noted.

As if the burden of crime and poverty weren't enough of a disadvantage against inner-city youth with the potential to run their own business, Steve Mariotti cannot emphasize enough that the government itself is another major obstacle.

"We have high and confusing rates of taxation and a lot of confusing paperwork. With wealthy people, it's not life threatening. They can spend the thousands of dollars for the lawyers to take care of it. But to an inner-city resident, particularly a young person, they don't have three *hundred* dollars. And they don't have the time. Three days to do all this to a poor person could put them in starvation."

Mariotti added: "I think these taxes and regulations force would-be entrepreneurs into criminal activity, because a laissez faire business like drug dealing is very easy to operate. The lack of paperwork and regulation provides an incentive to go into these cash businesses."

Red Tape For Vending

The red tape is particularly burdensome in New York City. "There are only 1,300 permits given to vendors in New York City, yet there are hundreds of thousands of homeless and perhaps as many as a million on welfare," Mariotti pointed out.

"It's definitely easier to get on welfare than to start a vending business in New York City, so all the people without capital or a degree or skills can't be merchants and traders, as they were in the old days. We've regulated them into welfare and illegitimate businesses."

Four schools in the Bronx and Manhattan have used the NFTE program.

Arlene McNeal, who teaches it at Evander Childs High School in the Bronx, said: "I have the kids beating me to the door to get in. When I get in, they're sitting down reading the business section of the newspaper." The teachers

THE CHRONICLE OF PHILANTHROPY.

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The Newspaper of the Non-Profit World

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WHAT'S IN THIS ISSUE

About Education and Youth

A man who was mugged in New York City was inspired by that experience to create a non-profit group that teaches disadvantaged young people how to start their own businesses.

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Business Skills for Kids
Christopher J. Meenan *(above)* works for a non-profit that teaches business skills to disadvantaged kids. Its founder started it after he was mugged. Story on Page 6.

GIVING

Turning 'Street Smarts' Into a Way Out of Poverty

A small non-profit shows low-income children around the country how to start their own businesses using their 'incredible reservoir of ability'

By ELIZABETH GREENE

NEW YORK

Unlike most victims of random street violence, Steve J. Mariotti will tell you that getting beaten by a gang of kids here was the best thing that ever happened to him.

"It turned out to be a great deal for me," he says in all seriousness.

At the time of the incident, about 10 years ago, Mr. Mariotti was a 28-year-old, profit-seeking, self-described yuppie, working in imports and exports and totally wrapped up in the thrill of self-employment. Today he is president of the National Foundation for Teaching Entrepreneurship to Handicapped and Disadvantaged Youth—a non-profit he created here in 1987 to teach low-income children around the country how to start their own businesses.

Christopher J. Meenan, II, with some of the children in NFTE's Newark programs: "There's nothing that I teach them about business that they don't already know."

©1991 JOHN DOLAN, FOR THE CHRONICLE

Started as a High-School Typing Teacher

NFTE—pronounced "nifty"—is a direct result of the attack, which jolted Mr. Mariotti to such a degree that he abandoned his fledgling business to work with the disadvantaged. "The experience really bothered me—the humiliation and just the physical pain," he explains. "I began to be interested in what was being done for at-risk kids."

After the mugging, Mr. Mariotti, who has a master's in business administration from the University of Michigan, first tried working as a high-school teacher in some of New York City's roughest neighborhoods. He was shuttled to 11 different schools as a less-than-adequate typing instructor before he got the O.K. to teach what he'd been pressing for—entrepreneurship.

"God bless the keyboarding teachers and I love 'em and I think they're wonderful people and it's a valuable skill, but you cannot be telling a poor child—and by poor I mean a child without financial capital—that typing is the end-all of business," he says. "That's a great myth that the inner-city schools perpetuate."

While working for a school in the Bronx in 1986, Mr. Mariotti was given his own class of special-education students, four of whom were "big-time drug dealers," he says, and a classroom in a city-government building. The students spent their mornings working at part-time jobs and afternoons with him, learning how to read, do mathematics, and write a business plan.

While they were developing their own entrepreneurial projects, Mr. Mariotti was working out the plan to create NFTE. In June 1988 he left the school system to devote himself fully to the non-profit.

NFTE

Steve J. Mariotti, NFTE's president: "If you can get one in every 10 inner-city kids, 20 years from now, to create a business, that would be a major breakthrough."

Today, with a full-time staff of six, including the group's first executive director, Duane R. Moyer, and eight others working part time, Mr. Mariotti has major hopes for the organization. "If you can get one in every 10 inner-city kids, 20 years from now, to create a business, that would be a major breakthrough," says Mr. Mariotti.

At a time when many groups that have been trying to improve the lives of disadvantaged children are grasping at straws, NFTE feels it has found the answer: Take the business sense that inner-city kids develop on the streets or in financially stressed homes and turn it into a legal way out of poverty.

"The secret of the turnaround in the inner cities is this incredible reservoir of ability that we're not tapping at all," Mr. Mariotti says. "Almost all of those that go to jail go to jail for entrepreneurial activity that society

DAILY NEWS

Friday, November 15, 1991

URBAN GAZETTE

CAPITAL IDEAS FOR YOUNG

Bronx street smarts can equal Wall St. smarts

By BOB WEINSTEIN

NOT MANY PEOPLE find their true calling after being mugged. Steve Mariotti did.

In 1981, he was beaten badly on the lower East Side by five teenagers for the $10 in his wallet. Following the traumatic event, his whole life changed — for the better.

Hardly a year after the scary incident, the MBA-toting Michigan-born owner of a thriving import/export company shocked friends and family and chucked his thriving company to teach South Bronx kids entrepreneurial skills. This led to his founding the nonprofit National Foundation for Teaching Entrepreneurship (NFTE) in 1986.

What does entrepreneurship have to do with a mugging? "Everything," insists the slightly built 38-year-old Mariotti, who says the mugging turned out to be an epiphany of sorts.

"I wondered why a group of kids would beat me up for $10 when they could earn a lot more than that legitimately by working as a business team. Those boys felt they had no other options. I wanted to show them they did." Mariotti saw learning business basics as the key to self-sufficiency and employment.

But convincing Board of Education bureaucrats to sanction entrepreneurship courses was like trying to climb Mount Everest in bare feet. "You'd think they would welcome fresh thinking," he says. "But they were resistant to any kind of change."

BETTER WAY: Steve Mariotti teaches potential delinquents how to make a buck. ED MOLINARI DAILY NEWS

Finally, a sympathetic principal allowed him to go beyond obligatory courses in the business curriculum and teach students how to read a profit-and-loss statement, write a business plan, balance a checkbook and buy wholesale and sell retail.

"These are priceless skills," says Mariotti. "These kids have street smarts, which is no different than business smarts."

What he couldn't accomplish in the public school system, he did on his own by launching NFTE. It was hard to get initial funding, but once he conquered his first grant, others followed. In five years, NFTE has grown to a $600,000 organization, employing six, plus a handful of part-timers.

He has developed an 80-hour entrepreneurial curriculum, taught in New York City schools, recreational facilities and colleges, including the University of Pennsylvania and Columbia.

Mariotti's accomplishments are winning accolades. He estimates his students' businesses gross about $100,000 a year. "According to our followup research, 14% are actually in business two years after the program," he says.

His students are not launching the next generation of IBMs. Their businesses are more like hot dog stands, cleaning and copy services and jewelry-making and T-shirt businesses. Yet, they're significant nonetheless, according to Mariotti.

"They're a healthy and honest start," he says. "They're gaining knowledge and experience. It's up to them to take it to the next step."

MARIOTTI CITES 20-year-old Vincent Wilkins as an accomplished graduate of an NFTE program. Several years ago, Wilkins was pulling down $200 a day selling heroin in the South Bronx. Now he heads his own rap songwriting and recording business that earns him a legitimate $500 a week recording songs for other rappers.

"There are dozens of other success stories," Mariotti adds. "We've only begun. I want to build NFTE into a $2 million organization. My fantasy is to teach every inner-city kid how to start a company. It ought to be an essential life skill. All you need are seventh-grade math skills to function like an MBA. There is no business so complex it can't be taught to the average fourth-grader."

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Philanthropy Culture & Society

New Kids on the Block

The National Foundation for Teaching Entrepreneurship

By Martin M. Wooster

It is second period in Dale Lubkeman's geography class at Washington, D.C.'s Hine Junior High School, and all 18 students are following the age-old tradition of being bored, fidgety, and restless. They've been asked to draw features on a map of North America—the Canadian Shield, the Great Plains, the Mississippi river—but it's clear that most of the kids think the assignment boring. A few sullenly draw in their workbooks; others stare blankly at the walls or the street. One girl spends the time perusing a notebook filled with trading cards of soul and rhythm and blues artists.

The students shuffle out and another group moves in. At first glance, it's hard to tell the difference between the two classes. The students look the same, with their baggy t-shirts and fancy sneakers. They come from the same neighborhoods—some of Washington's worst housing projects. Many live in Potomac Gardens, where drug dealers battle Nation of Islam security guards each night.

But the students in Mr. Lubkeman's third period class aren't bored. They are excited by the class, and look forward to it far more than they do studying South America or square roots. For between 10:45 and 11:45, Lubkeman isn't teaching his usual subjects of geography or algebra. He's teaching entrepreneurship, in a course sponsored by the National Foundation for Teaching Entrepreneurship (NFTE). And with every session, Lubkeman is helping to give troubled youth a chance—and hope—that they would otherwise miss.

NFTE is the invention of Steve Mariotti, a short, balding, and dynamic New Yorker who's always on the move; I interviewed him at two airports in two time zones. Mariotti was in the export-import business, until he was mugged in the notorious Fort Apache section of the Bronx in 1981. His first reaction to the mugging was to get a gun, but he thought better of it. Instead of trying to defend himself against street predators, why not try to help them instead?

"I wondered why a group of kids would beat me up for $10," Mariotti told the *Daily News*, "when they could earn a lot more than that legitimately by working as a business team. Those boys felt they had no other options. I wanted to show them that they did."

Mariotti joined the New York City school system, where he taught business. He also began to develop his ideas of teaching entrepreneurship by working with a typing class at Jane Addams Vocational High in the Bronx. Dealing with New York City school bureaucrats proved aggravating, and in 1986 Mariotti decided to make the leap into the nonprofit world by founding NFTE.

NFTE stayed small for several years. In 1991, its budget was only $600,000. But by 1995, NFTE's budget had grown to $5.5 million. The foundation now has operations in nine cities. Most of the NFTE chapters are in large cities, such as New York, Boston, Philadelphia, Chicago, and San Francisco. But there's also a chapter in New Bedford, Massachusetts, where, Mariotti told me, an old friend of his asked to help put NFTE's principles to work.

Mariotti believes in free markets, and, unlike competing organizations, won't teach students how to get government grants. But he says that he wants the foundation to be aggressively non-ideological. Though he is no fan of red tape or bureaucracy, Mariotti says he wants to be "friends with the government ... I do not want to wage war with the government intellectually. Having been a government employee, I know there are a lot of good and decent people who go to [work for] the government." For example, though his students have had little to do with the Small Business Administration (SBA), Mariotti says that he admires SCORE, an SBA program where retired business executives give advice to entrepreneurs. In Philadelphia, some teenagers attend NFTE programs as an alternative to going to jail.

Mariotti's non-partisan philosophy ensures that his foundation receives grants, advice, and other support from a broad range of donors and experts. In Washington, for example, NFTE's advisory board includes a district attorney, the general manager of a public television station, and a senior vice president of NationsBank. Other major donors include the Tiger Foundation, the Ewing Marion Kauffman Foundation,

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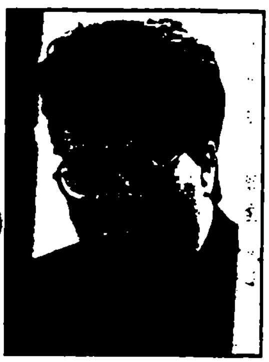

CRC Visiting Fellow Martin Wooster is the author of "Angry Classrooms, Vacant Minds: What's Happened to our High Schools?"

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and the foundations of the Milken Families.

But Mariotti's chief patrons are Charles and David Koch. Koch Refining Company of Rosemont, Minnnesota supports NFTE's Minneapolis program. Charles Koch, through the Charles Koch Charitable Foundation, funds the Wichita branch. And the David H. Koch Charitable Foundation gave NFTE a two-year, $1,000,000 grant to run its Washington division.

David Koch, Charles' brother, explained his reasons for funding NFTE in an article in the *Washington Post*. NFTE, Koch explained, "enables students to create their own successes. The children of the inner city possess remarkable traits—mental toughness, a willingness to take risks and a tremendous resilience—that, when combined with the entrepreneurial spirit, can lead to exceptional business success. In addition to importing practical skills, entrepreneurship also teaches values important for society: honesty, humility, responsibility, regard for others and appreciation of the future."

Kevin Grainey, NFTE's Washington director, explains that David Koch is a very hands-on donor. Koch regularly visits classes, and hands out awards at an annual banquet. He signs the certificates given to each of the Washington program's 230 students when they have completed the entrepreneurship class.

And, at least in Dale Lubkeman's class, students know more about their benefactor than one might expect: while they can buy shares of McDonalds, they can't buy privately-held Koch Industries shares.

Each student starts with a $10 bank account. He can get loans of up to $100 to buy supplies to sell or to start a business. NFTE also pays for field trips to New York, where students can visit wholesale districts and tour the New York Stock Exchange.

The students in NFTE's Washington program get a great deal of support. Each student starts with a $10 bank account. He is given $50 to buy supplies to sell or to start a business. Each student also gets the *Wall Street Journal* once a week. NFTE also pays for some field trips to New York, where students can visit wholesale districts and tour the New York Stock Exchange. NFTE also provides 500 business cards for each student, who picks a name and slogan for his new enterprise. Here are some of the cards Dale Lubkeman's junior high school students designed:

The BEST HATS IN TOWN
Creek's Hat Shop
ADRIAN CREEK
"Savings your game, serving you is my thang"

"When the time is right, you know where to come
Sean's Watch World"
WATCH WORLD
Sean Dyson, President

"Come On In Andrea's Positive
Factory of Good Stuff"
ANDREA NOBLE

NFTE provides extensive support to its teachers including training several weekends each school year and a week-long summer workshop at Babson College. Another small but crucial way NFTE helps make the lives of the teachers conducting its programs more pleasant is by providing a steady flow of school supplies. Talk to any public school teacher about what she finds most frustrating about her work, and right below the complaints about unruly or bored kids come stories of 17 signatures and six months to get a new stapler. Part of the NFTE grant in Washington provides an overhead projector for every classroom in the program as well as funds for transparencies. In addition, classes that need a video camera can borrow one from NFTE. The foundation also provides erasers, chalk, and other small supplies that their teachers need but that the schools won't or can't provide.

For the students at four senior highs and two junior highs, NFTE also provides a "Biz Bag." It's an attractive cloth attache case with everything an entrepreneur might need: an address book, a business card holder, a book of receipts, a dictionary, some pencils, a plastic watch with the NFTE logo, and a small table for calculating mortgage rates.

Also included in the Biz Bag are three spiral-bound textbooks that teach teenagers basic business principles. Though these books are in simple language, they teach very sophisticated material. Students learn about the dangers of accumulating too much debt by studying how Donald Trump and James Ling, the '60s conglomerate-builder, overextended themselves and nearly lost their enterprises. They learn the difference between a subchapter S and a subchapter C corporation, a limited liability partnership, and a sole proprietorship. They learn the "rule of 72" for calculating return on investment. This is material that would be new to most college liberal arts majors.

Much of the material in the NFTE textbooks is oriented towards African Americans, and there's an underlying message of old-fashioned uplift. *Profile*, a supplemental textbook written by Steve Mariotti and Jenny Rosenbaum, features short profiles of successful business leaders. Though many of the profiles are of contemporary minority and female entrepreneurs, such as Motown Records founder Berry Gordy, Jr., publisher John H. Johnson, and clothing magnate Liz Claiborne, students also learn that Henry Ford went bankrupt three times before the Ford Motor Company was created and that King Gillette spent thirty years perfecting the safety razor. These are stories that such inspirational authors as Napoleon Hill, Orison Swett Marden, or Samuel Smiles would have loved. In fact, one of the profiles is of Mr. Positive Mental Attitude himself, Clement Stone, the Chicago insurance magnate. "What is meant by Positive Mental Attitude (PMA)?" the authors ask students. "How did Clement Stone use it to help himself succeed?"

Such encouragement may seem a little corny, but Mena Lofland, who directs the NFTE program at Cardozo Senior High, says that her students need to hear stories of successful entrepreneurs because they can't believe that large businesses were once small. A few blocks away from Lofland's school, J.W. Marriott opened a root beer stand in 1927—the first step in what eventually became a giant hotel and restaurant empire. But her students, she says, "can't envision Marriott selling five-cent root beer."

Lofland observes that every time her students hear a story about a successful entrepreneur coming from a troubled background—for example, that Wendy's founder Dave Thomas was "a foster child and he doesn't know his parents"—they learn that people like themselves can succeed through hard work. Lofland says she's clipped so many profiles from *Inc.*, *Entrepreneur*, and *Black Enterprise* that she thinks of herself as a "cut-up junkie."

It's hard to tell what the students in Dale Lubkeman's class envision, but when they flip through his copy of *Think and Grow Rich: A Black Choice* (a version of Napoleon Hill's book for African Americans) they are seeing material that is fresh and new. Also new are the maxims underneath photos Lubkeman has taken of his students practicing free enterprise:

ADVERTISING IS IMPORTANT.

NEGOTIATION ISN'T ABOUT WINNING. IT'S ABOUT COMPROMISE.

ALWAYS GET A RECEIPT—ALWAYS GIVE A RECEIPT.

IT IS IMPORTANT TO ESTIMATE IN YOUR HEAD, THEN CHECK WITH YOUR CALCULATOR.

It's towards the end of the semester, so Lubkeman begins the class by reviewing the material they've learned. Much of what they need to know must be memorized. There's The Four Parts of a business: Financing, Production, Marketing, and Customer Service. There's USAIIR: Utilities, Salaries, Advertisements, Interest, Insurance, and Rent. Memorize this acronym and you have all the parts of a business.

Dale Lubkeman's students learn the art of negotiation.

Lubkeman then asks the students, "What's the difference between stocks and bonds?"

"Stocks can be sold and—you buy, you know," said Raynette, one of Lubkeman's students. "Bonds are—" she pauses a moment—"I forget."

"D.C. sells bonds, right?" Lubkeman asks. "Mayor Barry says he's going to save our city by selling bonds. What's going to happen five years from now when the bonds come due?"

"New taxes!" shouts Garrett, a bright student.

"It's like baseball cards," Lubkeman says. "Stocks are new

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and used. A bond is a loan—you're loaning money when you get a bond. What do bond holders get?"

No one answers, and Lubkeman has to answer his own question. "Interest. What do stocks have to do? Show a profit, right?"

Lubkeman then shifts topics. A few weeks before, the students saw a 60 Minutes segment showing how, whenever K-Mart and Wal-Mart compete, Wal-Mart usually wins because it offers better goods at lower prices. "Would you want K-Mart's stock today—or Wal-Mart's?" Lubkeman asks.

The students are excited. They know the answer to this one. "WAL-MART!" three of them shout at once.

Then Lubkeman shifts to another activity—the "negotiation game." Students like it because it involves buying, selling, and a large roll of (play) money. The game is simple—one player has something which he has bought wholesale and tries to sell at a profit. The goal is to teach students about markup and profit.

First Michelle and Anthony come forward. Lubkeman gives Michelle a Game Boy and says that the wholesale price of the machine is $25. Michelle misunderstands the game, and asks Antonio, "Do you want to buy the Game Boy for $25?" "Sure," Antonio says, and gives Michelle some phony bills.

Lubkeman is patient. "Michelle," he asks, "if you paid $25 for the Game Boy, and you sold it for $25, did you make any money?"

"No," Michelle says. She seems to have caught on.

Lubkeman then takes a Tetris cartridge out of the Game Boy and tries the game again. Most of the class raise their hands when Lubkeman asks for volunteers—most want to be the seller. Lubkeman chooses Nicole and Antonio, with Nicole the seller. He says the Tetris cartridge wholesales for $10.

Nicole has learned some sales patter. The Tetris, she says, "cost $30 and it's very portable. It's a fun game, you can put it in your pocket and everything."

"I'll pay $25 for it," Antonio says.

"Twenty-six," says Nicole.

Perhaps the biggest hurdle a teenage entrepreneur in Washington has to face is the D.C. vendor's license. A few years ago the Washington, D.C. government decided to raise the cost of this license to $1,500.

Antonio stands his ground. "Twenty-five," he says. Finally, Nicole concedes, and both students sit down. Shortly afterward, the class ends.

His students may know something about the give-and-take of capitalism, Lubkeman explains after class, but they will still face formidable challenges. Most of the children he teaches are lucky if they have one parent at home. Lubkeman has never met the parents of many of his students.

"Just Playing on the Telephone"

On the edge of Capitol Hill, Hine Junior High is geographically close to many successful enterprises. Directly across the street a former Woolworth's has been turned into an upscale coffee shop, where Congressional staffers sip three-dollar lattes and nibble on biscotti.

But for Lubkeman's students, the Capitol Hill boutiques are as far away as Mars. When they go home to Potomac Gardens or Anacostia in the evenings, they are in areas where successful enterprises are rarely found and where the closest thing to an "entrepreneur" is someone selling crack on the corner.

"The rate of entrepreneurship among urban blacks is what, five percent?" Lubkeman says. "If we [at NFTE] can double or triple that, we're doing a good job."

Mena Lofland, the Cardozo Senior High entrepreneurship teacher, observes that her students face an even bigger obstacle—they have no idea how businesses grow or develop. "All young people know how to spend money," she says. "But they think the only way they can make money is to get a job."

In addition, many of Lofland's students have parents who actively discourage entrepreneurship by telling their children they'll never get the money to start a successful business. Sometimes these parents, she says, think their children are "just playing on the telephone" when they're trying to buy or sell goods.

And sometimes Lofland's students have ideas for businesses that are illegal or impossible. One student prepared a business plan to sell black-market videos, since he saw many tables full of five-dollar counterfeit videos on downtown Washington streets. Lofland emphatically told him that his plan was illegal, and made him create another one.

Like many of the NFTE teachers, Lofland tries to encourage her students by introducing them to successful businessmen. One day, she brought in a photographer who made $1,500 taking photos of James Brown, the Jackson Five, and other stars. The photographer told the students that the camera was like his wife, in that it never left his side. While he was talking, an accident took place, and the photographer rushed out, and snapped a roll of photographs. "You see that?" the photographer said. "That's worth money," and pointed out that many newspaper photos—such as some of the first of the Oklahoma City bombing—were taken by amateur photographers who happened to be on the scene at the right time.

Lofland hopes her photographer friend—and the rest of the NFTE curriculum—will prod her students to take chances they would never dream of before the course. "Kids go to an amusement park and get on the wildest ride," she says. "Why can't they take a chance and go on the roller-coaster ride of entrepreneurship?"

Jumping Through Government Hoops

But even the kids who are willing to take a chance have other hurdles to face—most of them set by government bureaucracy.

Perhaps the biggest hurdle a teenage entrepreneur in Washington has to face is the D.C. vendor's license. A few years ago the Washington, D.C. government decided to raise the cost of this license to $1,500, partly because of alleged sales tax evasion and partly because of pressure from storeowners who approved the move as an anti-competitive measure. There aren't any exemptions, so a teenager from Washington's poorest areas who wants to sell something on the District of Columbia's streets will have to come up with this large sum. In addition, many D.C. wholesalers won't sell to anyone who doesn't have a valid vendor's license.

D.C. bureaucrats routinely grant one-day permits allowing students to sell their goods under adult supervision. But they don't appear likely to change the vendor's license fee anytime soon, nor to create a discounted license for teenage vendors.

Mena Lofland explains that the vendor's license encourages teenagers to pursue more illicit ventures. Crack dealers, she notes, don't have to get any permits, but the police will "arrest a kid who sells flowers to buy a Mother's Day present."

The police are a barrier in other ways. Kevin Grainey, the NFTE division head, says that police often believe that an inner-city teen with a lot of T-shirts or caps must have stolen them, and so they spend a lot of time harassing those with legitimate enterprises. "We'll have to do a lot more to educate the police in the future," Grainey says.

Local store owners are also not much help. In some cities, NFTE has made arrangements with local malls for its students to have tables to sell goods. In the giant Mall of America near Minneapolis, NFTE even has a store where teens sell year-round. But three Washington, D.C. malls—the Old Post Office Pavillion, the Shops at National Place, and Union Station—have refused NFTE space. As a result, NFTE only sets up tables in the lobbies of federal buildings.

Despite these obstacles, many students in NFTE's Washington program are improving themselves in ways that wouldn't have been possible without the entrepreneurship class. At Roosevelt Senior High, Marilynn Hollis, director of the NFTE program, is very proud in her students' efforts. In an annual competition sponsored by The Entrepreneurial Development Institute (TEDI), students were told they had to develop a sales plan for a game called Small Business.

Hollis and three of her students prepared intensely for the competition. They created a thorough business plan, and used NFTE equipment to develop professional-grade transparencies. And Hollis made sure that her students wore suits to the competition. "They joked about it a lot," Hollis said. "They said, "Ooooh, I'm wearing a tie!' But they made sure they dressed appropriately for the contest."

At the end of the day, Roosevelt Senior High had won the TEDI competition, beating some schools from wealthy suburbs. One of the judges, Hollis said, told her "I've seen this sort of stuff in corporate meetings, but never in this competition."

The best students in the NFTE program aren't just doing well in school—they're going on to set up successful enterprises. Greg Blair, for example, is setting up a trading card business. Blair, a Roosevelt Senior High twelfth-grader, doesn't live in a neighborhood that encourages enterprise. His home in northeast Washington is a few blocks south of the Maryland line. Blair is three blocks away from the House of Kleen dry cleaners and four blocks from the House of Pong, a Chinese restaurant.

There's a shopping center two blocks from Blair's home, but most of the businesses in it are closed, including what once was a large supermarket. The few businesses that survive are struggling discount houses; there's a $7 clothing store for women, and a discount store advertising brooms for a dollar. The only store selling middle-class goods is an athletic shoe outlet.

Marilynn Hollis, Greg Blair's teacher, says that she didn't expect that Blair would succeed since he is so quiet. "Gregory is introverted," Hollis says. "He isn't going to say very much to anyone. Gregory's success is the biggest surprise I had all year. He spent the year sitting and absorbing, not talking."

Blair doesn't say very much. It takes time for him to open up; he talks about his family and school in two and three word sentences. It's only when I start asking him about sports that he begins to become animated.

It's clear that sports are Blair's chief passion. His Charles Barkley t-shirt gives that away. Blair explains that he's been collecting sports cards for seven years, but has only been selling them for one year. Until he joined the NFTE class, he was an occasional salesman, but NFTE helped him become more organized.

Even though he's only been in business for a year, Blair's already learned how to adjust to changing markets. When he started collecting, he and his clients were primarily interested in baseball cards. But baseball players went on strike, sales

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plummeted, and Blair shifted to basketball cards, which now make up most of his market. The demand for basketball cards also changed when Michael Jordan returned to the Chicago Bulls. Most of his customers demanded more Jordan cards.

Blair takes out a notebook with his latest supplies. It's filled with photos of all the NBA stars—there are nine different Michael Jordan shots, eight Alonzo Mourning cards, eight of Charles Barkley, and seven of Glenn "Big Dog" Robinson. There doesn't seem to be anyone in the book who isn't famous. Nor are there very many cards from the Washington Bullets, the local basketball team that's been bad for over a decade.

Blair prides himself on his customer service. Unlike local card shops, he doesn't charge for deliveries. And because he doesn't have any overhead, he can keep his costs low. "Card dealers charge too much for their stuff," Blair says.

And Blair is steadily diversifying into new markets. He brings out a large plastic bag filled with pogs, round pieces of cardboard with pictures of dice, cards, and cartoon animals. "Little kids love this stuff," Blair says. Blair can buy a thousand pogs for $18 from a wholesaler and sell them for ten cents a piece, giving him a profit of $82 a bag.

To help him sell the pogs, Blair's enlisted his little brother Gerald, who's sold up to five dollars worth of them a day. That may not seem like much, but that's fifty pogs a day—and Gerald Blair is in third grade. Blair is looking into Lion King and Mighty Morphin Power Rangers merchandise for possible resale.

After he graduates, Blair is going to put his business aside for two years and join the Army where he will learn to repair tanks at Fort Knox. After his Army hitch, Blair plans to go to North Carolina A&T and major in business. After college, he plans to start a chain of card shops.

Greg Blair displays his catalogue.

Just before I leave, Blair shows me more of his merchandise. In one box is a series of little booklets, each one describing a baseball superstar. The booklets include inspirational maxims, including one attributed to New York Yankees first baseman Don Mattingly. "Always give 100% in whatever you do," Mattingly writes, "and you will be successful most of the time." It's sound advice which I hope Greg Blair follows.

Other NFTE graduates are also turning their hobbies and passions into successful enterprises. Tangela McGwire is only in tenth grade, but has already been in business for three years.

McGuire, who attends Crossland High in Temple Hills, Maryland, started selling things as a seventh-grader. She tried selling cookies and cakes, but found that spending all those hours baking was too time-consuming. She tried sales, but she didn't like it very much. One day, McGuire says, "I asked myself, 'What do I do best? Hair!'" So now she spends six hours a week as a free-lance stylist.

Many potential customers can't believe that McGuire is a businesswoman. "A lot of people look at me and laugh, because I'm a teenager," McGuire says. "But I'm very determined."

McGuire's best source of referrals is from her school; not only do students refer potential clients to her, but so do the teachers. And McGuire does her business anywhere, including inside Crossland High. She's taking a cosmetology class, and while other students have to scramble to convince people to have their hair cut for free, McGuire has no problem having her clients pay.

"It is so rewarding to be able to work for yourself," McGuire says. "It's great to say at the end of the day, 'I did that,' especially with the money in your pocket. It feels really good. It gives you a lot of adrenaline."

After she is graduated from Crossland, McGuire hopes to get her cosmetology license, work for someone else for five years, and then open her own hairstyling shop. "I want to own my own building," McGuire says. "I want to cut the unemployment rate."

From an early age, Angela Rodney also knew what she did best. Rodney's family is from Trinidad, and she recalls that when she was little, her father would sew school clothes for her. "My father taught me to sew," Rodney says. "He thought I should have a trade for the future." When she was in seventh grade, she began to sew dresses and other small items.

Rodney's now an eleventh-grader at Roosevelt Senior High, and operates a sewing business. When I talked to her, Mother's Day was approaching, and she was making ten pillows for children to give to their mothers. They're in all different shapes and colors—some are triangles, some round, some square. She sold more on Valentine's Day—almost two dozen.

Rodney buys fabric for about two dollars a yard, spends about an hour working on each pillow, and then sells it for $15 or $16. For students, she discounts her price to $12. "People tell me that I should sell them for $30, " Rodney says, "because they're so well done."

Like most entrepreneurs, Rodney finds potential customers everywhere. She makes flyers and puts them up in the halls, where students and teachers can see them. She also finds customers in unexpected places. One day she was heading home on the city bus when her seatmate grabbed a pillow, looked at it, and started tossing it around the bus. The other people on the bus looked at the pillow and admired it before tossing it to someone else. Rodney didn't get mad—instead she handed the rowdy riders business cards.

Ultimately, Rodney hopes to go to business college and then to expand her business into dresses and baskets. Her goal for the summer is to create a catalog, once she finds a good photographer.

Entrepreneurship, Rodney says, is "a lot of hard work. At the end, you feel you've accomplished something. You feel so good inside."

While Greg Blair, Tangela McGuire, and Angela Rodney are among the best to have gone through NFTE programs, the top student in NFTE's eyes is Regina Jackson, an eighth-grade dynamo. Each student in the NFTE program has to create a business plan, and there's an annual competition between the students. The top prize of $1000 went to Jackson, only a junior-high school student at the time, competing against teenagers three and four years older.

"Regina is a very, very, very good student," says Dale Lubkeman, her teacher at Hine Junior High. "She's college material," as excerpts from Regina Jackson's business plan reveal.

What are your short-term business goals? (Less than one year)

"I want my business to become a huge success. I myself will hand make jewelry for now. When my business is to become big, I will show my little sister how to make jewelry and she will be Vice President. We will also have other workers to make our designs. I want to make it like a family type of business, becaues (sic) My mother showed me how to make earrings and other things."

What are your long-range business goals?

"I would like to earn so much money net profit. I would like to make more business."

What are your personal goals (for the rest of your life)?

"I would like to make a better life for me."

Will "Designs by Regina" be a household name in ten years? Possibly. Regina Jackson certainly has the talent. But it's clear that without the sound business advice she learned from the National Foundation for Teaching Entrepreneurship, she would never get the chance to fulfill her dream.

When I exit the Benning Road subway station to visit Regina Jackson, I don't see very many people looking for a better life. It's Friday afternoon, and for most men in the neighborhood, that means it's time to drink something out of a brown paper bag. Every yard or so on East Capitol Street, there are discarded bottles of a high-test beer: Miller, Schlitz, Bull Ice.

But there is money in this neighborhood if you look hard enough. The local liquor store sells plenty of pint flasks of peppermint schnapps and "gin-and-juice," but it also sells $73 magnums of Remy Martin V.S.O.P. cognac. There are a few men furtively talking into cellular telephones.

Every store in the nearby Benco Shopping Center has a sign in front. Walk into the laundromat there, and this is what you'll see:

NO LOITERING POLICE PATROL
DRUG FREE ZONE
NO DRINKING ON PREMISIS (sic)

And in front of a variety store:

ATTENTION: OUTDOOR VENDING STRICTLY PROHIBITED. TRESPASSERS WILL BE PROSECUTED

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And in front of a hair stylist, emblazoned against a fiery-red background:

THOU SHALT NOT KILL

Jackson's house is on a side street. There are plenty of children in the neighborhood—about two dozen of them have scrawled their names on a street sign: China Doll, Mecha, Tee-tee, Fatboy, Puddin, Big Bird, all have made their mark.

There are also plenty of kids in Regina Jackson's house. She lives with her grandmother Mary Jackson, who is raising four grandchildren while taking care of three of Regina Jackson's cousins for a while. Periodically during my interview, one of these little boys interrupts the conversation by crying, sneezing, or waving a Power Ranger doll around.

Jackson, a poised 14-year-old, was an entrepreneur at an early age. When she was 7, she made five dollars by taking some Mardi Gras beads a relative gave her and selling them to her classmates. At age nine, she made ten dollars by taking a package of balloons, filling them with water, and selling them to children wanting to cool off on a blazing summer day.

She has also made jewelry since the age of 7. "My mother showed me how to make jewelry when I was younger," Jackson says. "She had nervous problems. She showed how to make little earrings and such."

Jackson shows me some of her designs. These are well-made products: necklaces with alternating purple and cloudy white stones, earrings made from tiny pieces of light brown wood. There are beads that look like gold and beads that look like opals.

They are also products that have found eager customers among sophisticated women. While she has a hard time selling in her neighborhood, Jackson has a much easier time when she can connect to other markets. At the NFTE awards banquet, Jackson's earnings weren't just limited to her $1000 first-prize check; she also sold $106 of jewelry to members of the NFTE advisory board. And Mary Jackson fondly recalls one day when she wore one of her granddaughter's designs into her office at the Senate Sargeant-of-Arms. A colleague asked Mary Jackson where she bought her bracelet, and she told her that her granddaughter made it. The colleague thought it came from a higher-priced designer, and promptly bought the bracelet, knowing that, for $16, she bought a product that was almost as elegant as other bracelets that cost far more.

For the next week, Mary Jackson wore one of her granddaughter's bracelets to the office every day, and every day someone bought it. "Every time I wore one, I sold one," Mary Jackson says.

Regina Jackson already has several helpers. Her little brother and her cousins help her sort beads. And she also has strong women backing her, such as her grandmother and Ruth Osborne, who leads a nearby chapter of Camp Fire Boys and Girls and who Regina Jackson greatly admires.

Ultimately, Regina Jackson would like to use real stones instead of plastic beads; she'd like to make jewelry that she can sell for two or three hundred dollars instead of under $20. And in the long run, Jackson would like to open a jewelry store in a suburban mall, where she can supervise people who will sell her designs.

Will "Designs by Regina" be a household name in ten years? Possibly. Regina Jackson certainly has the talent. But it's clear that without the sound business advice she learned from the National Foundation for Teaching Entrepreneurship, she would never get the chance to fulfill her dream.

There are thousands of inner-city teenagers who have the ability to work for themselves. Most of them however, are constantly told that they are inferior and worthless, and they achieve those expectations in jail or an early grave.

Pundits will continue to offer up boot camps, stern lectures, and summer jobs teaching nothing except dependence on government as solutions to the troubled inner-city. But NFTE, by quietly teaching the time-honored virtues of self-reliance, independence, and hard work, is already giving troubled teens their dreams.

Americorps Watch

Editor Jill Lacey testified on Americorps in May before a House Government Reform Subcommittee on Human Resources and Intergovernmental Relations. That hearing will be discussed in next month's *PCS*.

Terrence Scanlon, Publisher ■ Jill Lacey, Editor

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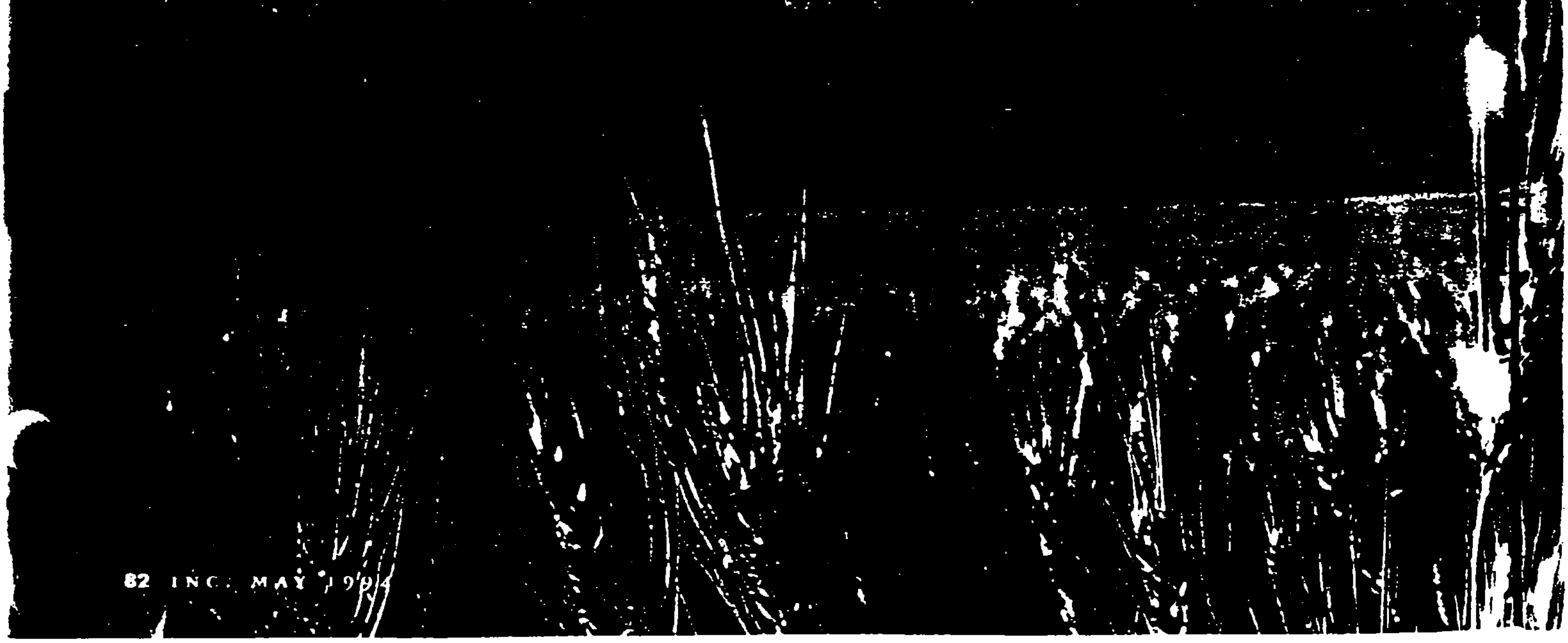
It's Not the Same America

AMERICA HAS ALWAYS BEEN, ABOVE ALL ELSE, THE LAND OF OPPORTUNITY, A COUNTRY WHERE THOSE AT THE BOTTOM CAN WORK THEIR WAY UP THE LADDER TO SUCCEED. BUT NOW THAT IDEAL IS ENDANGERED—THE BOTTOM RUNG IS BROKEN. FOR SOME SURPRISING REASONS, THE AMERICAN DREAM IS BEING DESTROYED. WHERE



In recent years we have seen the breakdown and breakup of large corporations. We have witnessed the rapid ascent—and often equally speedy flameout—of small companies. The abundance of the 1980s has given way to the hardscrabble mind-set of the 1990s, accentuating both the promise and the peril of capitalism.

The ascent of Microsoft is inextricably linked with the decline of IBM and the wiping out of thousands of good jobs and billions of dollars in shareholder wealth. Within the pages of this magazine and the experience of this writer, lesser-known but equally stunning examples arise. Companies such as Spartan Motors, Wabash National, and Southwest Airlines have leveraged so little to take so much from larger, more hidebound rivals.

A recent study by Cognetics, a research and consulting firm based in Cambridge, Mass., that specializes in business formation, concluded that of companies in business between 1988 and 1992, just 4% were responsible for 70% of all the new jobs created in that time frame. Those are companies that have mastered the mix of technology, talent, capital, and markets. They have crossed the growing divide between the Old Economy with its dated rules and the New Economy, in which the rules change daily. Yet hidden within their success lies the truth that change [illegible] and always painful.

Dynamism [illegible] petitive levels displace us [illegible] teaches—where [illegible] Never before has it [illegible] faster— [illegible] tunity.

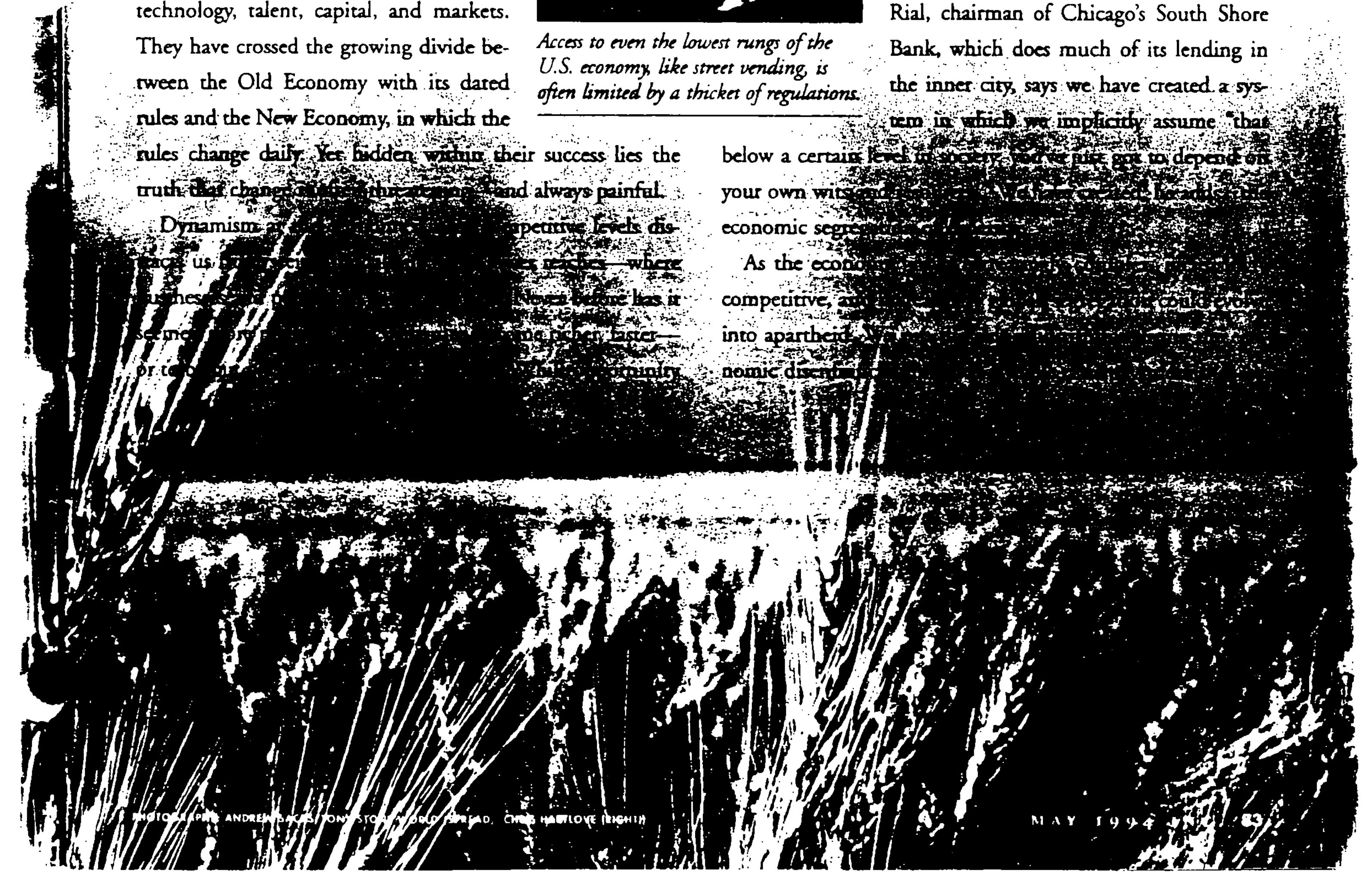
Access to even the lowest rungs of the U.S. economy, like street vending, is often limited by a thicket of regulations.

today is evident for the educated, creative, and risk-tolerant entrepreneur, those with less savvy and fewer connections often confront nothing less than a conspiracy of mutually reinforcing elements. Those with the least access to the New Economy must endure the most violent neighborhoods, the worst schools, and a welfare system that locks them into—not liberates them from—poverty. Often they lack access to capital, expertise, and the role models necessary to make it in the mainstream economy.

To many readers of this magazine such barriers are incidental—if not invisible. They hire a lawyer, consult their accountant, tap their banker, or simply talk to a knowledgeable friend. But to those with fewer advantages, who lack such critical touchstones, the barriers to entry loom as large as ever.

What's more, many of our institutions, mired in the ways of the Old Economy, are unresponsive to individuals seeking to better themselves. Banks can't or won't make small loans. The law serves special interests, not economic justice. Regulators write more rules, often favoring those with pockets deep enough to fight back. Charles Rial, chairman of Chicago's South Shore Bank, which does much of its lending in the inner city, says we have created a system in which we implicitly assume "that below a certain level in society you've just got to depend on your own wits [illegible] economic segre[illegible]

As the econo[illegible] competitive, [illegible] could evolve into apartheid [illegible] nomic disen[illegible]



PHOTOGRAPHS: ANDREW SACKS/TONY STONE WORLDWIDE (SPREAD), CHRIS HARTLOVE (RIGHT)

Regulation

IN THE BELLY OF THE BEAST

While the U.S. tax code and various governmental regulations are written to foster an orderly and civilized society, Steve Mariotti believes they do virtually the reverse in America's inner cities. Mariotti, who has an M.B.A. from the University of Michigan and once worked for Ford Motor Co. as a financial analyst, didn't used to spend time entertaining such conundrums. But that was before the evening 13 years ago when he went out for a run and was jumped by a pack of teenagers who robbed him of $10. Embittered by the experience, Mariotti sought to explore his anger, not deny it. The more he ruminated, the more he saw the stark divide between his world and that of his attackers. Business, he believed, was predicated on "voluntary exchange." The violent side of life in the streets was based on "coercive exchange."

Steve Mariotti believes 'at risk' inner-city youths who would otherwise be natural entrepreneurs are discouraged by our system and driven into an underground economy.

To bridge the gulf, in 1987 Mariotti started the New York City–based National Foundation for Teaching Entrepreneurship (NFTE), which teaches entrepreneurial skills to "at risk" inner-city children. Since then, NFTE has expanded to 10 cities. This year 2,500 junior high and high school students will go through its program, with the expectation that when they finish they will be ready to run a small business while maintaining a full academic schedule. To date, NFTE has had a 14% business-formation rate, with the definition of a business being an enterprise that is grossing $60 or more a week after six months.

Those numbers are small, but Mariotti, age 40, says his primary mission is to demystify business in the eyes of his students and cast it as something as instinctive as riding a bicycle. "Business is in people's rational self-interest," he says. "It does not require tremendous mathematical or scientific knowledge." Moreover, claims Mariotti, life in the inner city, full of "ambiguity, stress, and conflict," resembles situations that entrepreneurs face daily. "This makes these kids ideally suited to function in the marketplace."

But in a place like New York City, reality can crowd in fast on the visions of people like Steve Mariotti. He contends that what to the typical entrepreneur—white, middle class, and educated—are customary hurdles to starting a business, to a minority teenager are bewildering and dispiriting barriers to entry. The vital advice proffered by professionals—lawyers, accountants, consultants—that mainstream entrepreneurs take as a given and simply chalk up as part of standard business expenses is simply beyond the means of those with few advantages. "The minority entrepreneur usually ends up being his own lawyer and accountant. He can't go down the hall for that advice," says Mariotti. "It's very lonely. If you have capital, you may not see the stream of paperwork that is generated by a regulation or a clause in the tax code."

Mariotti notes that the U.S. tax code now runs to 38,000 pages. (Alone, the tax rules relating to owning a car for your business run to 68 pages.) He points to a 1993 issue of *Fortune*, featuring a photo of Chrysler's chief financial officer dwarfed by his company's nine-foot-high tax return, which, in turn, prompted a letter to the editor from Citibank's CFO, with mention of *his* 26-volume tax return.

But Chrysler and Citibank can get their IRS horror stories publicized in national magazines. They can also muster armies of accountants and fold tax-preparation costs into the price of products and services. An inner-city youth with marginal reading skills trying to make $180 a week by running his or her own business can do nothing of the sort. "There's no simple way to cut through the red tape," asserts Mariotti. "You've got to pay someone, and that means you've just added $4,000 to your start-up cost, which is nothing to someone with $1 million. To someone with $300, which is what we're talking about with at-risk people, it's an enormous amount."

Mariotti notes that beyond the tax code's sheer length and density, there is something equally insidious. "The tax code changes all the time, so there's no established body of knowledge. It's like studying a science and finding there are no basic principles." He says that a standard part of the NFTE curriculum is a field trip to New York's labyrinthine permitting and licensing offices—which he admits is depressing but necessary. He believes that a radical overhaul of the tax code and a streamlining of the business-licensing process are vital. Would-be entrepreneurs, he thinks, should be allowed to walk into city hall, register their business at one location for a nominal sum, and walk out with the necessary license and a tax identification number.

The paperwork, cost, and confusion resulting from not being able to do that drive would-be entrepreneurs away from certainty and down a slippery slope. They develop contempt for the government because they no longer see it as their ally. That drives people into the underground economy, where, says Mariotti, "there are no contracts. Matters of dispute are often settled with a gun or a beating." In the mainstream economy, he adds, there is an implicit understanding that government becomes a de facto partner to entrepreneurs by agreeing to protect their property rights. Underground, "each person becomes his own government. He has to. He can't go to the police or a court, because he's illegal." *(Continued)*

Once an entrepreneur moves into the balkanized—and chaotic—underground economy, growing the business is not a viable option. "Psychologically, you always want to be broke, because the accumulation of assets becomes evidence of your illegitimacy to your peers," says Mariotti. "You can't have a checking account, an office, a lawyer, or an accountant. Maybe you can gross $50,000 or $60,000 a year and clear $18,000, but to do better than that is difficult."

Chrysler's CFO with his company's monumental return: For many, the tax code is a barrier to entry.

Mariotti contends that a simple lack of legitimate trade lies at the core of much inner-city decay and despair, playing into every pathology from a booming drug industry to the soaring cost of health care resulting from violence and a high rate of teenage pregnancy. He says a big piece of the American urban experience involves people's being able to trade their way freely to a better life—beginning as street peddlers and one day possibly building retail or service empires of storied proportions. He says that is all but impossible today in New York City, which resembles a cramped and graying socialist state, where the government is a principal property holder and dispenses access to the economy to a favored few. He notes that New York City gives out only 1,100 peddler licenses each year, while it has at least 100,000 homeless people roaming the streets. "These people can ask you for money whenever and wherever they want, but they can't legally sell you a thing."

Protectionism

WELFARE FOR THE HAVES

While government regulation is a large and obvious barrier to many would-be entrepreneurs, it also has its nasty private-sector underside: protectionism. Another barrier to many aspiring entrepreneurs is the ability of those on the inside to exclude new entrants. About 10% of all jobs in this country require some sort of a license, and many of those are low-skill entry-level occupations such as taxicab driving, working as a street vendor, cosmetology, trash hauling, and recycling. Nonetheless, the licensing process in those fields is often onerous and reinforced by antiquated laws written decades ago, when the economy looked far different. "Traditionally, in our country these kinds of entry-level opportunities started people on the way up and out of poverty and into the middle class," says Jerry Hill, president of the Kansas City–based Landmark Legal Foundation, a public-interest law firm. "You would have a family that would start with one pushcart; then maybe in a few years that number grows to three or four, and eventually the family has a trucking company." But, says Hill, what happens too often today is that you have "the haves regulating the have-nots. You have licensing boards dominated by people already in the business. They sit back and decide who their competition should be. The effect is to preserve existing monopolies at the expense of those least able to defend themselves."

City laws 30 years out of date nearly killed Taalib-Din Uqdah and Pamela Ferrell's business.

It is implicitly accepted—especially among readers of this magazine—that among the most guaranteed of rights in America is the individual's right to attempt to earn a living in his or her chosen field of endeavor. In fact, claims Clint Bolick, director of litigation for the Institute for Justice, a public-interest law firm based in Washington, D.C., that litigates cases relating to economic liberty, "of all the rights Americans think we have, there's no question that economic liberty is the least protected." There is no constitutional right assuring individuals that they may pursue their chosen calling.

A landmark 19th-century Supreme Court ruling—made *122 years ago*—specifically allows states the leeway to grant monopolies, thereby restricting market entry. That ruling effectively gutted the "privileges or immunities" clause of the Fourteenth Amendment, which Congress had specifically ratified during Reconstruction to ensure that emancipated slaves could fully realize their newly won freedom. That was in response to a patchwork of post–Civil War laws passed by many southern states to bar blacks from a range of trades and thereby turn them back to indentured servitude on the plantations from which they had presumably been liberated. The result is a modern-day economic landscape far more strewed with barriers to entry—especially for minorities and immigrants struggling to enter the mainstream economy through manual trades—than most people realize.

One of Bolick's clients was Ego Brown, a former federal employee who got sick of working for the government and wanted to go into business for himself. He walked out on the street and observed that people were generally well dressed but that their shoes look scuffed. He set up a shoeshine stand on the streets of Washington, D.C., only to be picked up by the police for violating an 82-year-old city ordinance excluding blacks from a number of occupations. After two years of fighting the law in court, Brown was allowed to retain his business.

Another client, Taalib-Din Abdul Uqdah, and his wife, Pamela Ferrell, started a hair-braiding business in a Washington, D.C., storefront in 1980 with $500, only to be shut down by the city government for violating laws written in 1938 and enforced by the city's Board of Cosmetology. Those laws, upheld by established practitioners, mandated that Uqdah's employees have extensive schooling in hair treatments using chemicals and techniques that had not been used for at least 30 years. Thus Uqdah began a *10-year* struggle with the city government to pursue his business.

Uqdah, who first went into business with $200 in 1974, selling cider, flowers, and firewood, says there's no way he could replicate that start today, because the D.C. government requires that street vendors pay it $1,500 before they go into business. In recent years he has spent time counseling young people in his inner-city neighborhood, something he wishes he could have done more. "One thing that angers me is that during those 10 years fighting this case I could have been working with young people, teaching them how to get started and how to turn their lives around. Think of all the positive energy I could have been using instead of this negative energy."

Regulated Monopolies

OR WHY FOUR DENVER CABBIES CAN'T GO INTO BUSINESS FOR THEMSELVES

A classic protected monopoly in many U.S. cities is the taxicab business. It typifies the exclusionary practices one sees within otherwise easy-to-enter businesses. Consider New York City, where taxis were first regulated in 1935. That year 13,500 medallions, or individual licenses, were issued. Today there are only 11,800 outstanding. That is why a medallion now costs $140,000—even though there are still parts of the city where taxi service is spotty. A 1984 Federal Trade Commission report found that New York City is by no means anomalous. The commission found the industry regulated in 87% of large U.S. cities, and it calculated the added cost to U.S. consumers due to that regulation at $800 million a year (in 1992 dollars).

Consider Denver, where a new license to operate a taxicab company has not been granted *since 1947*. Denver has all of three cab companies. One of them is embroiled in bankruptcy proceedings, and the other is on the verge of bankruptcy.

Logic would imply that Denver's taxi market is ripe for entry. That's what Ani Ebong, Leroy Jones, Girma Molalegne, and Rowland Nwankwo figured when they set out, three years ago, to start Quick Pick Cabs. With 30 years of experience among them, the four men seemed qualified. They sought to differentiate their company by focusing on the underserved central city and offering their drivers a higher payout and more equity and autonomy than they could enjoy at rival companies.

For Leroy Jones, having expertise and a better idea hasn't added up to having his own business.

For Southwest's Herb Kelleher, expertise and a better idea have added up to the hottest airline in the industry.

In the past decade Denver has seen the steady deregulation of various transportation services, including limousines, couriers, household movers, and tour-bus operators. Taxis, however, remain a bastion of regulated privilege. In the past 10 years there have been no fewer than five bills introduced to deregulate the industry and open up the market. All have died a quick death in the state legislature, in part because of the work of Isaac Kaiser, a lawyer who spearheads challenges to new license applications before the state's Public Utilities Commission (PUC), and Freda Poundstone, a lobbyist employed by two of Denver's three cab companies.

Kaiser is a liberal labor lawyer who describes in fond detail the battles he has fought for the drivers of Yellow Cab, one of the three established cab companies in the city. He spins a tale of championing the little guy. But raise the Quick Pick case and he replies, "The market is inelastic in this town." Add more competitors, he warns, and chaos would ensue.

Poundstone, on the other hand, is a free-market Republican who counts Ronald Reagan as a personal friend and was a Reagan delegate at both Republican conventions that nominated him. She too asserts that the taxicab business is atypical—not responsive to the touch of the invisible hand. "The people who want to have this industry deregulated are the ones who don't want health inspectors in restaurants."

The taxicab business in Colorado is a "regulated monopoly." In exchange for a limited number of licenses granted by the PUC, the holders agree to provide consistent service at a regulated price. But in Denver the process regulates what *drivers*—not the companies—make. The PUC regulates taxicab *fares*—which, along with tips, make up the drivers' sole source of income. Meanwhile, what goes unregulated is a *lease payment* made—in advance—by the driver to the company on a daily or weekly basis. That payment, appropriately known in industry jargon as "the payoff," covers company overhead.

The payoff is set by a contract between the drivers and the company. In 1986, after a previously unsuccessful attempt, Yellow Cab, the former employer of Leroy Jones and his three partners, prevailed upon the drivers to change the contract, allowing the company to raise the payoff on short notice. In the 12 years Ani Ebong was a driver for Yellow Cab, the company was granted two fare increases totaling 10%. Meanwhile, it raised the payoff required from drivers who didn't own their cabs by 144%.

In February 1990 the drivers persuaded the PUC to examine the payoff system. Arthur Staliwe, an administrative law judge at the PUC, concluded, "Most Denver drivers appear to be working for between $2.75 and $3.00 per hour, excluding gratuities. . . . Further, because there are only three certificated taxi companies (an oligopoly) the companies are in a position to extract 'economic rent,' i.e., sums of money greatly in excess of costs from the drivers."

He further noted that "neither this agency nor anyone else regulates this payoff . . . and it is this charge which must be regulated pursuant to statute."

Efforts to change the law were met successfully in the state legislature by opposition from the cab companies. To this day the payoff remains unregulated, and only three cab licensees continue to operate in Denver.

As for Leroy Jones, his phone has been turned off, and the bills mount as he struggles to provide for his wife and five children. He holds down two jobs. By day he is a peddler. He drives an old van, its body dented, its windshield cracked, to street fairs, where he sells T-shirts, mugs, picture frames, and other odds and ends. At night he is a vendor at Colorado Rockies baseball games, lugging cases of beer.

Jones is a good-natured, heavyset man, and in his hustling to get by, he represents many on the margins of the U.S. economy, for whom effort does not always translate into reward. For him, the last two years amount to "Russian roulette on a roller coaster. You know you're right. You believe in the system, and then you don't see justice. All we are asking for is the right to fail or succeed on our own merit."

Jones adds that he is a person without much education, without any special advantage, without many resources. That, he fears, dooms him. "The lawyer's son will be a lawyer; the doctor's son will be a doctor," he says. "But my son is destined to be a laborer. All I can offer him is the sweat off my back, but right now there are all these other people living off that sweat. Why shouldn't I profit from my own labor?"

Jones and his three partners left Yellow Cab to start their own company because of the hefty payoff demanded of them. They had grown tired of the featherbedding and favoritism that took place within a company that had little competition from without. Yellow Cab, they believed, was being run for the benefit of a select few in the company's hierarchy—even though it was nominally a cooperative and all the drivers were considered shareholders.

Yellow Cab is now in receivership, a step to forestall bankruptcy. The receiver, Karen Mathis, is a lawyer with no prior experience in the industry. Since her appointment, in April 1991, fees paid to her and her law firm have ranged from $25,000 to $30,000 a month. (Mathis acknowledges that this is part-time work for her—"I also have my law practice." She says she cannot estimate how many hours a week she spends on Yellow Cab matters.) Meanwhile, since Mathis took over, Yellow Cab's financial condition has deteriorated. She is currently negotiating to sell the principal assets of the company—to infuse it with capital. Thus, in two years Mathis and her firm took more than $500,000 out of a company she has publicly described as "undercapitalized."

America's law schools continue to crank out more lawyers. In 1992, according to the National Conference of Bar Examiners, 52,826 people passed the bar exam, a 23% increase since 1983. Last year Bill Clinton appointed a cabinet that he claimed "would look like America." Thirteen of its 18 members are lawyers. So, too, are the president and his wife.

Lawyers, like the rest of us, need to stay busy. One way they do so is by defending special interests—by going where the money is, by writing rules to favor one client, by resisting rules to defend another. Isaac Kaiser and Freda Poundstone act as advocates for established companies like Yellow Cab, but they are not alone. Al Micklejohn is a state senator in Colorado who heads up a powerful transportation committee in the state senate that has persistently stifled efforts to deregulate the taxi industry in Colorado. He is also a partner in a Denver law firm that represents a number of established transportation interests. Micklejohn has repeatedly stated that he sees no conflict of interest in that arrangement.

In the spring of 1992, the Quick Pick case came to the attention of the Institute for Justice. It filed a civil-rights suit in federal court in Colorado, arguing that the PUC's "regulatory regime" was so onerous that it denied Quick Pick's founders "the basic right to pursue their chosen livelihoods and to operate a legitimate business."

The state—represented by the office of the Colorado attorney general, Gale Norton, who also happens to be a staunch free-market Republican—argued that no such right exists. In her motion to have the case dismissed, Colorado assistant attorney general Mana Jennings-Fader wrote that since the Quick Pick four were *working*, they had no case: "Has the regulatory scheme impaired [the plaintiffs'] ability to pursue a business or to seek employment? . . . The answer is a resounding no. . . . While it may not be the employment of their choosing, that is not the issue here. The fact of their employment is sufficient to overcome an asserted liberty interest."

In August 1993 the federal district court in Colorado dismissed Quick Pick's case, barring the four men from entering the Denver taxi market. The following month, the Institute for Justice filed an appeal in the case.

Going Underground

OPPORTUNITY IN THE SHADOW ECONOMY

It is little more than three miles from Five Points, in the heart of Denver's inner city, to the gleaming skyscrapers of downtown, where people like Isaac Kaiser and Karen Mathis work, but across that distance you might as well be traveling from a third-world country into the developed world. Five Points is home to Ani Ebong's hole-in-the-wall convenience store, whose stucco facade butts up against the painted brick facade of the Church of Peace. Stand out front, and it won't be long before you'll see a drug deal going down across the street—even in the middle of the day.

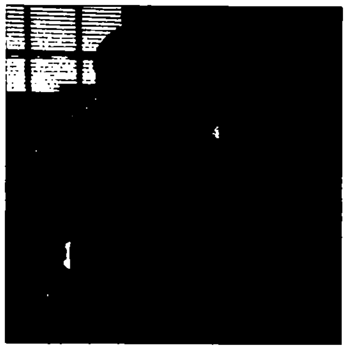
An outsider wandering into Five Points is greeted by Ani Ebong with a knowing smile and a wary laugh: "This is not the same America that you know. There are all these gangsters around here." But that doesn't intimidate Ebong, who emigrated from Nigeria about 20 years ago. "I used to be afraid. I wouldn't come down here. Now I know all the people, and I know, what I wish for myself and my life, they want the same for themselves," he says. "If you come here from a distance, you can't see that. You just think that everybody is running around crazy and nothing works. The closer you get to the community, the better your understanding."

Ebong, after all, is an entrepreneur, and he has an entrepreneur's native optimism. In addition to his convenience store, he is opening a restaurant next door. By the time he left Yellow Cab to found Quick Pick, he owned *three* taxis, which he leased to friends. If anybody can make a new cab company go in Denver, it is likely to be someone like Ebong. Moreover, he intends to base Quick Pick in the neighborhood, not only improving service but also spinning off jobs in the process.

But the sorry state of the inner-city market itself has become a barrier to many minority entrepreneurs, contends Jack Litzenberg, a program officer with the Charles Stewart Mott Foundation, in Flint, Mich., which focuses its philanthropic activities on education and on economic and community development. "The market has declined, so there is a lack of market opportunity," he says.

Katherine Stearns, the director of U.S. operations for Accion International, which has been doing grass-roots lending in the third world for more than 30 years and now is trying to replicate that model in this country, cites an additional structural problem. "The economy is so overdeveloped here. Our manufacturing companies must compete globally. In retailing and distribution you have sophisticated, technology-intensive companies." That leaves little room for undercapitalized, undertrained entrepreneurs gasping for subsistence. "You just need to be much more sophisticated to run a business in the United States," says Stearns. "You can't buy tomatoes wholesale, walk down to the corner, and sell them at retail. You can do that in Latin America and earn a living. Here you can't make enough of a profit."

The structure of the U.S. economy contrasts markedly with what Accion has found in Latin America, where from 1985 to 1992 the organization made 467,000 microloans totaling nearly $300,000. It's a part of the world where, as Stearns puts it, "there's a business behind every other door," and the typical loan might be to a street vendor for $100, allowing him or her to buy, not lease, a pushcart.



Even creative bankers like Mary Houghton are hard-pressed to help minority-owned start-ups.

"Half of all the economic activity in Latin America involves the 'informal' economy," says Stearns. Much of that results from corruption and ineptness within the bureaucracy, which drives entrepreneurs who lack the right connections underground. That's also noted by Peruvian entrepreneur and economist Hernando de Soto in his book *The Other Path* (Perennial/Harper & Row, 1989). He says, for instance, that entrepreneurs operating in the nonregulated informal economy have built 43% of all housing in Lima and provided 90% of its public transportation. He writes, "We appear to be witnessing the most important rebellion against the status quo ever waged in the history of independent Peru."

It is convenient for Americans to think of Peru as the economic basket case of the hemisphere, yet de Soto asserts that it harbors a thriving shadow economy. On the other hand, the U.S. economy is seen as the most developed in the world. But de Soto's observations and the Denver taxi experience beg a provocative question. At what point does the U.S. economy begin to resemble Peru's, with entrepreneurs heading underground, driven by a system they deem not just arbitrary but corrupt?

Access to Capital

PRIMING THE PUMP

What will hasten the "Peruvinization" of the U.S. economy is lack of access to capital at the grass roots. Although the mainstream entrepreneur complains about lack of access to capital, the fact is that lack of money rarely kills companies run by entrepreneurs who truly understand the game of business. On the other hand, a minority entrepreneur trying to break through and borrow money for the first time often hits a wall. That person would barely get inside the door of a typical U.S. bank, because the banking system is structured to serve the mainstream economy. High overhead and transaction costs mean that the same effort is needed to make a $100,000 loan as is needed for a $10,000 loan. More important, a $1,000 loan, which is what many grass-roots entrepreneurs could use, is simply too small, unprofitable, and risky for a bank even to consider.

Chicago's South Shore Bank is known for being one of the most active and creative banks in Chicago's inner city, yet banker Mary Houghton admits that South Shore, like other mainstream banks, is poorly equipped to help minority start-ups. It needs customers who are higher up the food chain. "We look for survivors, not people just starting out. We want to provide them with resources that will allow them to grow and prosper," says Houghton. "When a regulated bank tries to do business with somebody in a class and culture other than its own, it's almost an impossible interaction and not cost-effective for the bank."

Another Chicago bank trying to make that interaction work as cities like Chicago grow increasingly multicultural is the First National Bank of Chicago. It has aggressively expanded its franchise in the city, growing its base from 5 to 77 branches in the past eight years with the acquisition of some large but faltering savings-and-loans, which has taken it into some ethnically diverse neighborhoods. In one instance the branch manager turned her bank into more of a "currency exchange" that cashed paychecks and issued money orders because that is what many people in the Hispanic neighborhood expected the bank to do. Another branch arranged for payment of utility bills, with a large, official-looking seal stamped on the receipts, because that was what immigrants expected. At one branch on the city's North Side, the bank's employees collectively speak 46 languages.

First Chicago sees a lot of people with fledgling businesses and no track record as entrepreneurs. To those would-be entrepreneurs, the bank makes personal loans, home-equity loans, or credit-card loans in lieu of business loans. Says Ed Jacob, a community-banking officer with First Chicago: "This allows us to bypass the traditional business-approval process. We also have to assess profitability on a long time line. You've got to be looking out five years."

The bank uses intermediaries to help it reach into the community. One is Chicago-based Women's Self-Employment Project (WSEP), the largest nonprofit entrepreneurial-services program targeting low-income and moderate-income women in the city. Its executive director is Connie Evans. "Banks can't make money on small loans, and they require more support to help the lending process along," she says. "You seldom run into a financial institution, government-loan program, or even private organization that will finance a start-up."

Enter WSEP, which works mainly with start-ups. Evans sees a lot of people from whom banks would flee. Many of her customers have poor credit histories or none at all. They lack collateral. Many are on welfare.

WSEP lends money on the so-called Grameen Bank model, which is communally based and was first developed in

Bangladesh. Borrowers form a "lending circle," consisting of perhaps half a dozen people. Each entrepreneur borrows funds in succession from the circle—only after the previous borrower has repaid his or her loan. The Grameen concept uses peer pressure and support to help businesses get started and boasts a historically high rate of loan repayment—nearly 100%.

At WSEP a lending circle involves five people. Evans believes that having the circle composed of just women imparts solidarity and a sense of security that might not result if a man were allowed into the circle and sought to dominate it. Members of the circle can't be related. If someone drops out of the circle, it must halt lending activity until the group replaces that person with an agreed-upon substitute.

WSEP has been operating since 1986, working with low-income and moderate-income women, 90% of whom are minorities. Since then WSEP has lent out nearly $650,000, with the average first loan being $1,500. When the first loan gets repaid and a client's business gets off the ground, she is eligible to "step up" to a larger loan. The lending circle's repayment rate is 100%.

But for all its apparent success, WSEP is not self-sufficient in a for-profit sense, revealing the structural flaws in trying to lend money efficiently at the bottom of the economy. Forty percent of its $1-million annual budget comes from the state and federal government, 50% from private foundations, and the balance from fees paid by clients.

Evans says WSEP will likely never be self-sufficient because her clients need ongoing technical support and advice, not just money. The organization holds free monthly orientations for women who might be interested in its program. Two years ago the attendance was around 35 women a session. Now it ranges from 50 to 80.

Evans believes that the jump in interest reflects a changing economy. In the inner city, people are losing jobs, and those jobs are disappearing for good. Second, she says, the rising interest reflects a desire by many inner-city women to escape the debilitating clutches of welfare. "In other countries you have to do *something* because there is no welfare system." Here, welfare is an option but an increasingly unpalatable one, claims Evans, a situation in which "too often the safety net becomes just a noose around someone's neck."

Evans thinks the value of a program like WSEP lies as much in its human payoff as in its business payoff. It's a way for people to dig themselves out of the isolating experience of poverty and to develop a sense of self by connecting with other people whose experiences they share. It's as much a community-development project as it is a program to foster entrepreneurship. "People in poverty live such isolated lives," says Evans. "We want to reduce that isolation and free people up to address other issues in their lives."

Economic Self-Sufficiency
REDEFINING WHAT'S POSSIBLE

A key issue for Connie Evans is teaching what she labels "economic self-sufficiency." She acknowledges that many women who come to WSEP will not immediately start businesses. Nonetheless, she hopes they will at least gain a sense of possibility in their lives. They will know that down the road, opportunity may present itself, and that they will be able to grasp it. To the typical entrepreneur the feeling that anything is possible, that he or she can make things happen, is a sixth sense. That confidence is always there. To women like Deborah Payne it is a learned trait.

Payne is a dressmaker and designer who has been sewing for her friends since she was 14, yet she has spent most of her time and talent in recent years just earning a paycheck. She wanted to break free from the long hours, low wages, and other sweatshop conditions that defined her working existence. On the other hand, she was a shy, soft-spoken woman, a single mother, a person who felt vulnerable. "There were times when I would feel something, but I would just never speak out." A couple of years ago she came to WSEP and got a loan, which bought her a new sewing machine and gave her a chance to go into business for herself.

Payne says the virtue of WSEP, beyond emboldening her to start a business, is that "you realize that you are not alone." Her lending circle has become a support group for her on a range of issues. Sitting in WSEP's office one recent morning, she recalls a disagreement she was having with her teenage son before school, in the middle of which a member of the lending circle called. Told by Payne what was happening, the other woman asked Payne to put her son on the phone. They talked awhile and straightened the matter out.

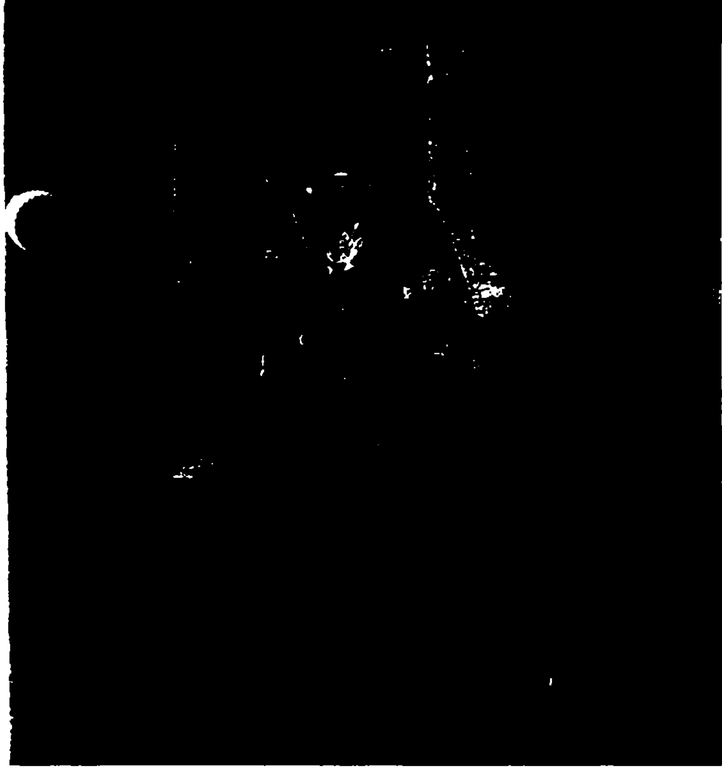
Debra Davis, another WSEP client and a borrower, is more assertive, a model of sorts for Payne. But she, too, has known loneliness and doubt. She has just been better at hiding it. "No one really understood me," says Davis, who sees herself as "an artist and an entrepreneur." A year ago, she says, she was just "another person crying the blues." She had been designing and sewing clothes for private clients part-time and wanted to start her own business, but she was discouraged by friends and family who wanted her to stick to her full-time job behind the cosmetics counter in a downtown department store. "I would be so depressed. I had to force myself to go to work each day." Then she saw an ad for WSEP, and she liked the way it was phrased: "Give your best hours to yourself." It brought her to WSEP—and into her own business full-time.

Through past connections she landed an audience with the publishers of the Spiegel catalog, and that led to the catalog's carrying some of her designs targeted at the African American community. The response was so strong that before Davis knew it, she had four people sewing for her. The day I spoke with her, she was late to our appointment because of a flat tire she had gotten earlier on her way to Spiegel with some sketches. "A year ago, if this had happened to me, I would have just sat there and cried. Now I had somebody to call who could come and pick up the sketches while I got the tire fixed."

Shanta Nurullah was a part-time storyteller while working for the Chicago Housing Authority. After being laid off from her full-time job for the third time in a year, she prayed that the unemployment office "would just lose my number." She says, "WSEP helped me conceptualize what I wanted to do." With a peer group of 12 other women, she took a 12-week course in which she learned how to focus her ideas and put them into a business plan. She turned her part-time storytelling into a full-time business that now supports her and her four children, one of whom is about to go to college.

Looking back on her life before WSEP, Nurullah says, "I saw a lot of people who were stuck. They were afraid of what was on the outside. People in public housing were paying more for rent than I was, but they wouldn't leave it because if

PHOTOGRAPH: [illegible]



Through the Women's Self-Employment Project Shanta Nurullah was able to see the payoffs of her own initiative. She not only started a business but is aggressively growing it.

they lost their jobs, they at least had a roof over their heads." Nurullah says that when women come to WSEP, it's a transforming experience. "People come here, and the experience empowers them to start a business. Their families benefit; they see the motivation, the initiative that people take."

But that is just a first step. Nurullah, who now has a national reputation, has met other storytellers in the process of building her business. She now wants to grow it by starting a production company that will record some of the artists she has met. For her, coming to WSEP has meant transcending the issues of creating a job and finding independence, to seeing how she could grow and sustain her business.

Welfare

DISCOURAGING PRODUCTIVITY

Jack Litzenberg of the Charles Stewart Mott Foundation says the shift in the lives of people like Deborah Payne, Debra Davis, and Shanta Nurullah is based on what he calls "linkages," the informal yet vital contacts that entrepreneurs typically develop to exchange everything from encouragement to information. While such linkages are commonplace in the mainstream economy, they are tenuous in the inner city, where the struggle for survival does not unite people but isolates them.

Litzenberg says of the Mott Foundation: "Our money goes to trying to establish institutions that are so lacking in low-income neighborhoods: banks, credit unions, educational resources, community centers. You can create that scale of economy right in the neighborhood." He believes those organizations are vital because "if a neighborhood is socially chaotic, you cannot do economic development. You need institutions that can intermediate for people."

Litzenberg contends that the process of ending the isolation of poverty and creating linkages "has to be people centered. We have a bias in this country toward building real estate. We put up a shopping center. But how many stores are owned by the people in the neighborhood? How many jobs are created by that development?" The answer to both questions is very few. "I don't know why we think that if you develop physical infrastructure, people will automatically get better. Too often the building is hiding a cancer."

Nowhere else is the chronic underdevelopment and psychic malnourishment of people more pronounced than among people on welfare. Welfare to people who have never been on it is an abstraction leading to stereotype and caricature. To those sustained by it, it is a trap.

Discussions of welfare's failings usually focus on how it drives families apart and penalizes the working poor. Less well known is that welfare makes it virtually impossible to start a business. There are two simple reasons for that: First, if a person on welfare accrues liquid assets exceeding $1,000, he or she gets kicked off public aid. Try starting a business and living on less than $1,000. As for owning a car, that is permissible, but it can't be valued at more than $1,500. In other words, it's OK to own a car, but not one that may function reliably. Second, if you go off welfare, you often lose something of greater value than cash—medical benefits. Connie Evans says that programs like hers allow people to replace the income from welfare easily, "but the risk of losing medical coverage for your children is a huge disincentive to leave welfare."

She estimates that about 40% of the women who come to WSEP remain on welfare for that reason alone. One woman she knows in the program is making $1,400 a month, while her Aid to Families with Dependent Children (AFDC) check is only $246. She can replace that income easily, but she needs the health-care benefits. Evans says that a frequent topic of conversation among her clients is "not wanting to play the game and wanting to be honest and aboveboard." But welfare always drives them back into the realm of dishonesty.

If a welfare recipient does happen to start a business, he or she is denied standard business tax deductions, the presumption being that business supplies will be turned to personal use. "The public-aid system assumes that everyone is a liar and a cheat," says Evans. "Why can't we allow a woman to make $10,000 in her business and keep whatever part of the welfare subsidy she needs?" The answer to that is that modern bureaucracy is inflexible and unresponsive, presenting welfare recipients with an all-or-nothing proposition. Evans notes that woman entrepreneurs in the mainstream economy often have spouses who bring in income and vital benefits—a totally legitimate means of support for a fledgling business.

Meanwhile, the status quo creates a spending, not a saving, psychology, leading people on welfare to draw their savings accounts down to $1,000—the asset limit—or less each month for fear of losing welfare benefits. They are psychologically locked into month-to-month thinking that shapes their world view. "That's not how you get out of poverty," says Evans. "The whole system is based on getting money and then spending that money." Meanwhile, Evans, noting that the basic monthly AFDC payment in Chicago is $246, says, "*No one* lives in Chicago on $246 a month. At that level you are just maintaining people in poverty."

Michael Sherraden, a professor at Washington University in St. Louis who has studied and written extensively about welfare, seconds that notion. "The system doesn't allow people to accumulate assets," he says. "This is not a feature of welfare that gets talked about." Yet at the very basis of living a planned and orderly existence is the ability of people to save money and develop wealth. Sherraden has proposed setting up so-called individual development accounts for welfare recipients, whereby a certain percentage of public-assistance grants paid to a welfare recipient are put into escrow just as if that person had an IRA account, resulting in forced savings. The concept is currently being tested in Iowa.

But, says Sherraden, "there are political and cultural barriers to allowing people to receive money while they're also receiving public assistance." He notes that total welfare spending on the poor, including Medicaid, accounts for about 10% of federal expenditures. "Not that I don't think welfare is a big mess, but it's not a big budget problem. The problem is entitlements to the middle class." Federal payments and subsidies to the nonpoor amounted to $651 billion in fiscal year 1990, more than five times what was paid out to the poor. Adds Sherraden, "The major problem with welfare is not that it creates dependence but that it doesn't promote development." In sum, we may spend on the poor, but we don't invest in them.

One woman who does work and is on welfare is a woman I'll call Renee Gonzales. The pseudonym is necessary because revealing her true identity would threaten her welfare benefits.

In the abstract—a single mother with three children—Gonzales is a typical welfare recipient. In the flesh and in spirit, she seems anything but. Alert and combative, Gonzales is in the process of digging herself out from a lifetime of deprivation, having recently completed her second year of college while starting a small business on the side. Welfare, she says, is a state that envelops and owns you because it becomes the norm. "If you grow up on welfare, there's no shame there. Everybody you know is on welfare. Once you're on welfare, you're hooked. It's a trap, and there's nothing you can do to escape except gnaw your foot off."


Regulation, abetted by the lawyerizing of government, effectively bars have-nots from rising. Bill Clinton said his cabinet would 'look like America.' Of its 18 members, 13 are lawyers.

Gonzales, now age 20, has been on her own most of her life. Her father developed schizophrenia when she young, and the burden of raising a family alone overwhelmed her mother, a factory worker. Gonzales was put in a foster home at the age of eight.

Gonzales, like many welfare recipients, has been reduced to working the system to keep body, soul, and family together. She receives $314 in public assistance every two weeks. That buys groceries. She pays $250 a month in rent and $80 a month in day care. Her business selling clothing and accessories, which she started with a $200 loan, operates marginally. She would like to move it out of her apartment and into a storefront, but if she starts making more than $150 a week, she loses her medical benefits. She receives child support under the table from her former boyfriend, the father of her three children. "If I received that aboveboard, they would cut my welfare check." When Gonzales goes for her case review, she tells her caseworker that she doesn't know where her boyfriend is. "If you're honest, you hurt yourself."

The impression Gonzales leaves is of a person alternately defiant and self-conscious. "What do you think of when you think of the typical welfare person?" she asks. "A single mother with children, right? Do I look like a person on welfare?" Every day, she says, amounts to a trial in which she has to face "ignorant people who don't know what I've been through." Their ignorance only fires her determination. "I just look at them and say, 'You laugh now, but someday you'll still be here drinking your cheap wine, and I'll never see you again.' "

The Economics of Inclusion

'VICTIMS MAKE BAD ENTREPRENEURS'

In times of economic change, people scramble all the more to protect what they have. They feel vulnerable, abandoned by traditional allies. The government today no longer delivers services in a cost-efficient manner. Its regulations seem increasingly arbitrary and onerous. The public education system once provided a vital point of entry into the American economy, the American experience. Today it spits out many "students" hardly prepared for the baffling world into which they emerge. Special interests preach the free-market gospel but then jockey for market protection and special favors at the expense of the less powerful.

As the economy has grown more complex, it has also grown more Darwinian. The highly skilled prosper. The skilled survive. The unskilled fall prey to change. The solution is not to penalize the successful but to include the heretofore excluded—those with the potential to succeed who have simply never had access to the right levers.

When Bob Friedman, chairman of the Corporation for Enterprise Development, an economic-development and policy-research organization based in Washington, D.C., appraises the welfare system, he sees a "massive economic and social mistake that assumes that poor people have no talent and no capacity for vision."

Steve Mariotti sees government regulations and the tax code as amounting to nothing less than a violation of the fundamental civil rights of many inner-city residents.

People like Friedman and Mariotti concur that change must begin at the bottom of the economy because it has not come from the top. It must begin with people like Leroy Jones, Shanta Nurullah, and Renee Gonzales, who have defied the odds while understanding, as Friedman puts it, "that victims don't make good entrepreneurs."

But many people at the bottom of the ladder will continue to have a hard time becoming entrepreneurs unless institutional changes afford them better access to the economy. Right now too many people are lost, wandering through a labyrinth in which they are trapped.

And for that, we are all the poorer. ■

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Entrepreneurship . . .

The Dream of High School Students

Seven out of 10 high school students say they want to start a business of their own, according to a national survey on entrepreneurship and small business. The study was commissioned by the Center for Entrepreneurial Leadership Inc. at the Ewing Marion Kauffman Foundation in Kansas City, Missouri. High school students, the general public, small business owners and managers were questioned about their opinions and knowledge about small business.

High school students want to start a business of their own, be their own boss and actually know how to start a business. A study on the attitudes of minority youth and young adults towards business ownership (commissioned by the U.S. Department of Commerce in 1993) also reports youth's strong interest in starting a business mainly because of the freedom associated with being one's own boss.

When asked, young people have consistently expressed an interest in becoming entrepreneurs and learning more about operating a business. They will also tell you they do not have the know-how to pursue this option. Eighty-six percent rated themselves very poor to fair on their knowledge of entrepreneurship and business. Students attributed their lack of knowledge on the subject to not having access to opportunities for learning how business works. About 85 percent indicated it was important or very important to receive entrepreneurship education in schools.

Marilyn Kourilsky, vice president of the Center for Entrepreneurial Leadership Inc. states that, "One of the only ways this generation is going to achieve a lifestyle that is better than their parents is through entrepreneurship." It is particularly important for students to be prepared to take different career paths in a world that is constantly changing.

Traditionally, young people have learned about entrepreneurship from parents and other family members who own their own businesses. Unfortunately, not all students have access to entrepreneurs as role models or to the learning opportunities that will prepare them to start and manage a business. Kourilsky states that, "In the next century, we need to give students a variety of skills so they have real choices about their future. If you don't learn about entrepreneurship at home, where will you get the information and skills you need to make owning your own company a viable option? The results of this survey provide strong documentation of the need for and public support of entrepreneurship education for young people."

It is in the best interest of our nation to respond to youth's interest in business ownership. The entrepreneurial spirit that has made American dreams become a reality needs to be nurtured at all levels of our educational system. Effective in and out of school entrepreneurship programs can assist youth to explore business ownership opportunities and acquire the skills to enable them to start a business of their choice. As students learn more about business and interact with business owners in their local area, they will be better prepared to find ways to meet the needs of their communities. Ultimately, these students will be able to assume the challenges of a competitive and demanding local and global economic climate.