The original documents are located in Box 14, folder "Minority Business, 1971-1975 (8)" of the Stanley Scott Papers at the Gerald R. Ford Presidential Library.

FIRST HARLEM SECURITIES CORPORATION

144 West 125th Street / New York, N.Y. 10027 / 212-865-4000

Proposal H-3847

May 5, 1975

Honorable Charles B. Rangel
U.S. House of Representatives
107 Cannon House Office Building
Washington, D.C. 20515

Dear Charlie:

It is my purpose here to reduce to writing some of my thoughts concerning this Administration's minority enterprise and economic development programs. As you are well aware from our recent discussions and meetings with the group of merchants on the 125th Street corridor, I have expended considerable time and resources here and in Washington attempting to develop an understanding of and subject to analysis these complex programs. I have done so for the avowed purpose of developing a program that would produce direct, hard, measurable economic benefits for the Harlem business community. And, I might add, I have made these efforts without specific regard for the racial or "disadvantaged" designations which, for government purposes, may affect the status of individual members in the 125th Street corridor group.

I want to make it clear at the outset that the concerns expressed herein are not motivated by any political or other hidden, irrational consideration. I am committed to helping you get results for a major group of your constituents and, in keeping with that philosophy, will continue to work "both sides of the aisle" and cooperate fully with the Executive branch of the Federal government. I think it is also important to note at this point that, notwithstanding the severe nature of my criticism and the harsh conclusions I will draw herein, I am convinced that those government officials who are concerned with these programs are in good faith, dedicated and without any motivation in derogation of meeting the ultimate goals we seek with respect to minority entrepreneurship and general economic development. I do quarrel, however, in many instances with the ability of many of those officials, their competence, sensitivity and understanding of our problems.

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The bottom line. I am disappointed in, depressed with and, indeed, outraged because of the organization, implementation and delivery mechanisms that exist in the broad complex of these programs. I am deeply distressed with the program track record which, in the past few years, gives evidence of no significant success for the minority businesses or businesses in areas such as Harlem which are plagued with ever increasing economic decay. My conclusion is that the major beneficiaries of the scores of millions of dollars that have been expended on minority enterprise and economic development programs are program bureaucrats and professional "community organization" employees whose efforts are too often directed at writing proposals for continued funding from the federal government. The intended beneficiaries have had their expectations raised by the rhetoric and have, once again, been let down by the lack of follow through.

My focus here is on management and technical assistance, contracts with the federal government and federal programs intended to persuade the private sector to support this economic development effort. I am satisfied that, conceptually, the financing programs available through agencies such as SBA and EDA are adequate and, with increases in funding levels and with administrative streamling, are potentially of great benefit.

The federal effort in this regard is frought with window dressing; window dressing promulgated by the Administration in the form of statements of commitment, bureaucratic in-fighting, inefficient resource allocation and "impressive looking" results which, on careful examination, are illusory. Presidential statements, statements of cabinet officiers and agency heads articulate exciting program goals and make them appear realistic and meaningful (see attached copies of Presidential Executive Order 11625 and White House Press Release dated December 12, 1974). Reports of agencies detailing the results of the efforts to accomplish those goals are, in fact, an exercise in the art of playing a numbers game. One non-productive visit to a small enterprise by a government official or a federally supported community agency under the quise of providing technical or management advice can result in a report implying that a number of agencies have given massive support to that enterprise.

It is clear that major series of changes are necessary to bring about the results we seek--to provide legitimate government sponsored services to the "disadvantaged" business

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community which, in turn, will result in incalculable economic benefits--not only to those who have so long been deprived of entrepreneurial opportunities--but for the nation as a whole. The changes necessary to accomplish this result are extensive and must include a detailed analysis of the complexity of the problem.

Rather than attempt to provide such an analysis here, I would simply suggest that there are two general areas that must be studied in great detail and given support through the legislative process. First, there needs to be a complete reorganization of the governmental effort as it presently exists, taking all business related economic development programs that do not involve direct financial support or assistance and putting them under the umbrella of one government entity. For example, management and technical assistance programs, programs to induce private support for disadvantaged business concerns and government contracting programs should be under the umbrella of <u>one</u> agency. These kinds of programs should be coordinated by <u>one</u> agency. The responsibility for their implementation vested in <u>one</u> agency. And that agency should be responsible for <u>all</u> such business development programs for disadvantaged concerns regardless of the race, color or geographical location of the recipient of the assistance.

Secondly, that same agency should have the <u>authority</u> to promulgate guidelines consistent with its Congressional mandate and the authority to <u>enforce</u> compliance with those guidelines. For example, there presently exists a "requirement" that certain government contractors implement affirmative action programs with respect to the seeking out and use of minority subcontractors. This requirement includes a reporting procedure where the contractor communicates to the procuring agency its affirmative action plan. The problem is that no central authority has any ability to enforce compliance with any minimum standard set by any agency. The single agency concept I propose here could be a solution to this dilemma.

The general suggestions I have made above require legislation. At the risk of oversimplying my recommendations, I would propose a basic piece of legislation that could carry the same basic thrust as that of the Presidential Executive Order referenced above (as supplemented by the Presidential Press Release also referenced above). Such a statutory enactment would raise the level of dignity of those provisions--from a Presidential order implementing coordination and asking cooperation, to a Congressional mandate demanding action. Further, additional legislation to provide specific authority in a single agency to establish guidelines and enforce those guidelines with appropriate sanctions is necessary. If a large contractor is delinquent in effecting its affirmative action program the single agency I have proposed should be able to impose appropriate discipline on that contractor.

The more detailed thoughts I have gathered and the specific proposals I am prepared to make are best left to a formum outside the scope of this letter. I think it appropriate that we meet and discuss the work that must be done before a definitive, documented proposal in detail is made to you and your colleagues. I am prepared to give you the benefit of my work product and the use of my staff, here in Washington.

I look forward to an early meeting and an opportunity to launch a legislative effort to "codify the executive order" and provide a statutory basis for the enforcement of its provisions.

Peace!

Russ

Russell L. Goings, Jr.

Attachments

RLG/vm

FOR IMMEDIATE RELEASE DECEMBER 12, 1974

Office of the White House Press Secretary

THE WHITE HOUSE

December 11, 1974

MEMORANDUM FOR

THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE ATTORNEY GENERAL
THE SECRETARY OF THE INTERIOR
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HEALTH, EDUCATION AND WELFARE
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY OF TRANSPORTATION

I want to stress that an important objective of my Administration will be assistance to disadvantaged minorities to further allow their participation in the economic benefits of the private enterprise system. Too little attention has been given to this objective in certain sectors of the Federal Government. I am, therefore, seeking improvements in the Government's minority business development program.

Although the Office of Minority Business Enterprise in the Department of Commerce and the Small Business Administration have had primary responsibility for minority business programs, their success to date in these efforts has been due in large measure to the support of other Federal agencies. Your strong backing of this objective is essential to a meaningful Federal effort, and I ask that you undertake a reexamination of your agency's commitment to assisting the creation of successful minority businesses and of the effectiveness of your program. Please submit a report of your findings to me by January 31, 1975.

During this difficult economic period, many minority businesses are particularly vulnerable. They need every help the Government can reasonably provide. It is especially important, therefore, that your agency look for every appropriate opportunity for minority businesses to participate in Government programs as contractors, subcontractors, bankers, etc., and that management, technical and financial assistance be provided whenever feasible.

I am confident of your support of this important effort.

GERALD R. FORD

# # #

Executive Order 11625

Prescribing Additional Arrangements for Developing and Coordinating a National Program for Minority Business Enterprise

The opportunity for full participation in our free enterprise system by socially and economically disadvantaged persons is essential if we are to obtain social and economic justice for such persons and improve the functioning of our national economy.

The Office of Minority Business Enterprise, established in 1969, greatly facilitated the strengthening and expansion of our minority enterprise program. In order to take full advantage of resources and opportunities in the minority enterprise field, we now must build on this foundation. One important way of improving our efforts is by clarifying the authority of the Secretary of Commerce (a) to implement Federal policy in support of the minority business enterprise program; (b) provide additional technical and management assistance to disadvantaged businesses; (c) to assist in demonstration projects; and (d) to coordinate the participation of all Federal departments and agencies in an increased minority enterprise effort.

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States, it is ordered as follows:

SECTION 1. *Functions of the Secretary of Commerce.* (a) The Secretary of Commerce (hereinafter referred to as "the Secretary") shall—

(1) Coordinate as consistent with law the plans, programs, and operations of the Federal Government which affect or may contribute to the establishment, preservation, and strengthening of minority business enterprise.

(2) Promote the mobilization of activities and resources of State and local governments, businesses and trade associations, universities, foundations, professional organizations, and volunteer and other groups towards the growth of minority business enterprises, and facilitate the coordination of the efforts of these groups with those of Federal departments and agencies.

(3) Establish a center for the development, collection, summarization, and dissemination of information that will be helpful to persons and organizations throughout the Nation in undertaking or promoting the establishment and successful operation of minority business enterprise.

(4) Within constraints of law and appropriations therefor, and according to his discretion, provide financial assistance to public and private organizations so that they may render technical and management assistance to minority business enterprises, and defray all or part of the costs of pilot or demonstration projects conducted by public or private agencies or organizations which are designed to overcome the special problems of minority business enterprises or otherwise to further the purposes of this order.

(b) The Secretary, as he deems necessary or appropriate to enable him to better fulfill the responsibilities vested in him by subsection (a), may—

(1) With the participation of other Federal departments and agencies as appropriate, develop comprehensive plans and specific program goals for the minority enterprise program; establish regular performance monitoring and reporting systems to assure that goals are being achieved; and evaluate the impact of Federal support in achieving the objectives established by this order.

(2) Require a coordinated review of all proposed Federal training and technical assistance activities in direct support of the minority enterprise program to assure consistency with program goals and to avoid duplication.

(3) Convene, for purposes of coordination, meetings of the heads of such departments and agencies, or their designees, whose programs and activities may affect or contribute to the purposes of this order.

(4) Convene business leaders, educators, and other representatives of the private sector who are engaged in assisting the development of minority business enterprise or who could contribute to its development, for the purpose of proposing, evaluating and coordinating governmental and private activities in furtherance of the objectives of this order.

(5) Confer with and advise officials of State and local governments.

(6) Provide the managerial and organizational framework through which joint or collaborative undertakings with Federal departments or agencies or private organizations can be planned and implemented.

(7) Recommend appropriate legislative or executive actions.

SEC. 2. *Advisory Council for Minority Enterprise.* (a) The Advisory Council for Minority Enterprise (hereinafter referred to as "the Council"), established by Executive Order No. 11458 of March 5, 1969, shall continue in existence under the terms of this order.

(b) The Council shall be composed of members appointed by the President from among persons, including members of minority groups and representatives from minority business enterprises, who are knowledgeable in this field and who are dedicated to the purposes of this order. The members shall serve for a term of two years and may be reappointed.

(c) The President shall designate one of the members of the Council as the Chairman of the Council.

(d) The Council shall meet at the call of the Secretary.

(e) The Council shall be advisory to the Secretary in which capacity it shall—

(1) Serve as a source of knowledge and information on developments in different fields and segments of our economic and social life which affect minority business enterprise.

(2) Keep abreast of plans, programs, and activities in the public and private sectors which relate to minority business enterprise, and advise the Secretary on any measures to better achieve the objectives of this order.

(3) Consider, and advise the Secretary, and such officials as he may designate, on problems and matters referred to the Council.

(f) For the purposes of Executive Order No. 11007 of February 26, 1962, the Council shall be deemed to have been formed by the Secretary.

(g) Members of the Council shall be entitled to receive travel and expenses, including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 5701–5708) for persons in the Government service employed intermittently.

(h) The Secretary shall arrange for administrative support of the Council to the extent necessary, including use of any gifts or bequests accepted by the Department of Commerce pursuant to law.

SEC. 3. *Responsibilities of Other Federal Departments and Agencies.* (a) The head of each Federal department and agency, or a representative designated by him, when and in the manner so requested by the Secretary, shall furnish information, assistance, and reports to, and shall otherwise cooperate with, the Secretary in the performance of his functions hereunder.

(b) The head of each Federal department or agency shall, when so requested by the Secretary, designate his Under Secretary or such other similar official to have primary and continuing responsibility for the participation and cooperation of that department or agency in matters concerning minority business enterprise.

(c) The officials designated under the preceding paragraph, when so requested, shall review and report to the Secretary upon the policies and programs of the minority business enterprise program, and shall keep the Secretary informed of all proposed budgets, plans and programs of his department or agency affecting minority business enterprise.

(d) The head of each Federal department or agency, or a representative designated by him, shall, to the extent provided under regulations issued by the Secretary after consultation with the official designated in paragraph (b) above, report to the Secretary on any activity that falls within the scope of the minority business enterprise program as defined herein and in those regulations.

(e) Each Federal department or agency shall, within constraints of law and appropriations therefor, continue all current efforts to foster and promote minority business enterprises and to support the program herein set forth, and shall cooperate with the Secretary of Commerce in increasing the total Federal effort.

SEC. 4. *Reports.* The Secretary shall, not later than 120 days after the close of each fiscal year, submit to the President a full report of his activities hereunder during the previous fiscal year. Further, the Secretary shall, from time to time, submit to the President his recommendations for legislation or other action as he deems desirable to promote the purposes of this order. Each Federal department or agency shall report to the Secretary as hereinabove provided on a timely basis so that the Secretary may consider such reports for his report and recommendations to the President. Each Federal department or agency shall develop and implement systematic data collection processes which will provide to the Office of Minority Business Enterprise Information Center current data helpful in evaluating and promoting the efforts herein described.

SEC. 5. *Policies and Standards.* The Secretary may establish such policies, standards, definitions, criteria, and procedures to govern the implementation, interpretation, and application of this order, and generally perform such functions and take such steps as he may deem to be necessary or appropriate to achieve the purposes and carry out the provisions hereof.

SEC. 6. *Definitions.* For purposes of this order, the following definitions shall apply:

(a) "Minority business enterprise" means a business enterprise that is owned or controlled by one or more socially or economically disadvantaged persons. Such disadvantage may arise from cultural, racial, chronic economic circumstances or background or other similar cause. Such persons include, but are not limited to, Negroes, Puerto Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts.

(b) "State" means the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the territories and possessions of the United States, and the Trust Territory of the Pacific Islands.

SEC. 7. *Construction.* Nothing in this order shall be construed as subjecting any function vested in, or assigned pursuant to law to, any Federal department or agency or head thereof to the authority of any other agency or office exclusively, or as abrogating or restricting any such function in any manner.

SEC. 8. *Prior Executive Order.* Executive Order No. 11458 of March 5, 1969, is hereby superseded.

Richard Nixon

THE WHITE HOUSE,
October 13, 1971.

---

36 F.R. 19967

THE WHITE HOUSE
WASHINGTON

TO: Stan Scott

FROM: FERNANDO C. DE BACA

For your information ✓

For appropriate handling _____

Per your request _____

_____

Remarks:

May 8, 1975

Dear Jose:

My colleague, Stan Scott, has asked me to reply to your letter of April 14, 1975.

You will be interested to know that the Ad Hoc Work Group on Minority Business Enterprise met on May 5, 1975 with Bill Seidman, Assistant to the President for Economic Affairs, and with representatives of the Office of Management and Budget, Small Business Administration, Domestic Council, and Office of Minority Business Enterprise. Rick Bela and Jesse Bojorquez were present at this meeting to represent Hispanic concerns during the day's deliberations. Stan Scott and I were also present.

We will be forwarding a copy of the minutes of the meeting as soon as they are ready for distribution. In the interim, I am enclosing a copy of the draft issue paper developed by OMB as a result of the March 14th White House meeting.

A copy of "Blueprint for the 70's" is also being secured for your files and will be forwarded under separate cover. It was my understanding that a copy of this report had been previously furnished to you in response to an earlier request from you.

I am also enclosing copies of responses received by the White House pursuant to President Ford's memorandum of December 11, 1974 on Minority Business Enterprise.

I hope this information is of assistance to you and LAMA in your continuing efforts on behalf of Latin businessmen throughout this country.

With the President's best wishes, I remain,

Yours sincerely,

Fernando E. C. De Baca
Special Assistant to the President

Mr. Joseph Aceves
National Executive Director
Latin American Manufacturers Association
1728 East Fourteenth Street
San Leandro, California 94577

Enclosures

bcc: Stan Scott

FECDeB:kt

Floyd B. McKissick
Attorney and Counselor at Law

May 19, 1975

Mr. Stanley S. Scott
Special Assistant to the President
The White House
Washington, D. C.

RE: The Interim White House Task Force on Minority Business Development

Dear Stan:

Enclosed please find the Interim Report on Minority Enterprise which was developed out of the call meeting of March 14, 1975, when the Task Force was appointed, and the first meeting of the Interim White House Task Force held on May 5, 1975.

Please bear in mind that this report has been prepared for presentation to you, for submission to Carl Hystad, Office of Management and Budget, and for presentation to Bill Seedman, Assistant to the President on Economic Affairs.

This report is scheduled to be presented to you during the week of May 19, so as to meet the time frame for inclusion in the President's planning and thinking regarding major domestic, economic decisions to be made by the President on or about June 1, as it relates to OMBE and SBA among other domestic issues.

We want to emphasize the following points in regard to our interim paper:

1. As the nation's economy goes, so goes the minority businesses, but we are more severely affected when the economy takes a dip -- far more than the majority community because of our relatively small size.

2. We believe that the Minority Business Development Task Force should have the President's sanction and blessing, as provided by law.

3. This Task Force should have the equal force and effect as other task forces in carrying out its assigned duties with appropriate assistance and allowance for expenses for its proper function.

POST OFFICE BOX 188 · SOUL CITY, NORTH CAROLINA · 27553 · PHONE (919) 456-3111

4. We believe that the problem of minorities in this country will not be solved overnight, but must be solved with the mutual cooperation of all races working together, developing short and long-range programs. We believe that the President is in need of this group to keep him basically informed of "rational aims and objectives" as he moves towards the solving of minority problems in the country.

5. Our interim paper is an "Interim Paper" designed to reach those who will consider this problem between now and June 1. We would prefer the development of a document more in detail. Again, it is for this reason we see the need for a continuing committee to develop a major document on Minority Economic Development.

6. The need for permanent legislation establishing the Office of Minority Business Enterprise is a recognizable goal and is especially necessary for an effective program for minorities properly executed. While we recognize this need, we are appreciative of the Executive Order which created OMBE. We desire to see the continuance of the aims and objectives declared in that Order as well as the execution of the intentions of the Executive Order, which can only be accomplished by appropriate legislation. Until such time as that legislation has been permanently enacted, the present Minority Task Force committee is needed to fill the informational and advisory gap while at the same time the SBA and OMBE programs should be strengthened in all possible ways as outlined in broad concepts in our interim paper, to carry on those principles set out in the Executive Order.

7. The interim report was prepared primarily by Jim Hansley, Larnie Horton and myself, after having received the ideas and other supporting data.

I look forward to your immediate response.

Sincerely,

Floyd

F. B. McKissick

Enclosures

INTERIM REPORT ON MINORITY ENTERPRISE

PREPARED BY

WHITE HOUSE TASK FORCE ON MINORITY ENTERPRISE

Presented To

Stanley S. Scott

Special Assistant To The President

Date

May 19, 1975

WHITE HOUSE TASK FORCE ON MINORITY ENTERPRISE

PARTICIPANTS

Floyd B. McKissick, Chairman
Richard J. Bela
Dr. Berkeley G. Burrell
Jess Bojorquez
James Dowdy
John Grayson
Garland Guice
James F. Hansley
Dr. Larnie G. Horton
Timothy Jenkins
John L. Kearse

INTERIM POSITION PAPER ON MINORITY ENTERPRISE

SUMMARY

- Establish specific goals and objectives and determine resource needs based on those goals and objectives

- Goals and objectives should be developed to correct present inequalities--- sales of minority firms represent 0.6% of sales of all firms, sales of minority firms should begin to approximate the representation of minorities in the total population, i.e. 17%

- Plans for minority enterprise development must be designed with incentives that attract substantial support from 1,000 largest U. S. corporations

- Financial and management assistance delivery systems should be improved to more efficiently produce desired results, ex. one-stop, full-service center approach

- A pilot program should be developed transferring 7 (a) lending activity from SBA to private non-bank lenders such as Mesbics

INTERIM POSITION PAPER ON MINORITY ENTERPRISE

The positions stated in this paper are in response to a draft issues paper entitled "Minority Business Development Programs," which was prepared by the Office of Management and Budget, a copy of which is attached hereto as Appendix "A".

The paper represented a summary of the issues which were presented at a mass meeting of minority enterprise spokesmen, which was held in Washington, D. C., on Friday March 14, 1975. The drafters of the summary condensed the many views expressed at the March 14 meeting into five (5) major sub-issues, as follows:

1. Should minority business development efforts focus on individual entrepreneurs, or be part of community economic development efforts?

2. Should Federal minority business development assistance be provided primarily as part of the broader missions of the various Federal agencies, or should it be focused in one agency?

3. Should assistance to minority businesses be provided primarily through direct Federal assistance to the firms, or through intermediaries such as contractors or State and local governments?

4. What forms or types of assistance should be provided by the Federal Government?

5. What is the most appropriate organizational structure and assignments within the Federal Government for managing minority business development programs?

The Task Force takes the position that the perspective of the Office of Management and Budget summary of the issues are misleading. Our contention is that the discussion should focus on the following areas:

1. Are minority enterprise programs perceived as costs or benefits to the total American economy?

2. The disproportionate representation of minorities in the business and economic affairs of the nation.

3. Should the programs of minority enterprise and community economic development be integrated?

4. Specific, quantifiable goals and objectives for minority enterprise development -- both short-term and long-term.

5. What are the resource needs required to meet established goals and objectives?

6. Economic Integration of Corporate Giants and Minority Businesses.

7. Improvement in the delivery of Financial and Management Services.

Minority Economic Development - Cost or Benefit?

If minority business development programs are perceived as costs to the American economy, there need be no discussion of goals or objectives nor of funding levels, rather only discussion of management systems for an unclear activity which has no future. If, on the other hand, minority business development programs are perceived as benefiting the American economy, then quantifiable goals and objectives, both short-term and long-term should be set. After the establishment of goals and objectives, it will become apparent what level of funds are necessary to meet the goals and objectives. The appropriate organizational and management structures would also then be able to be determined with more clarity.

Economic Disproportion

Representatives of government, at every level, recognize the national interest goal of establishing, a well balanced economy. The size and number of minority owned firms are so miniscule, in the aggregate, that participation in the dynamic of free market forces, by them, is hardly noticeable. In 1969, the most recent year for which complete statistics are available, there were 322,000 minority owned firms with sales of $10.6 billion. Sales for all firms in the same year were $1.76 trillion. Minority owned firms represented 2.7% of the total 11,799,000 firms and .6% (six-tenths of one percent) of the $1.76 trillion sales of all firms. These statistics are grossly out of proportion to the representation of minorities in the population, approximately 17%.

The numbers suggest a distinct inequality with respect to the representation of minorities in the production or money economy of the nation. An inequality of the magnitude that is apparent, penalizes not only the minority sector of the economy but the total economy. The need, therefore, is for a more equitable participation of minorities in the production economy. An equitable share should begin to approach the proportion that minorities represent in the total population-"parity". (See Exhibit "A")

Community Economic Development-Minority Entrepreneurs

Since most minority owned businesses are now operated in minority communities and this fact will continue to be so for the forseeable future, then the issues of community economic development and minority entrepreneurship must be addressed in an integrated fashion.

During periods of economic downturn, minority communities share disproportionately in unemployment and economic underdevelopment. Minority firms, therefore, are impacted upon heavily by the cyclical swings of the economy.

Cognizance, however, must be given to the different methods that are used to arrive at acceptable levels of accomplishment from a community development standpoint as against the minority businessman's standpoint. The primary goal of business is profitability, which tends to be highly quantifiable. The primary goals of community economic development may be the providing of services without great emphasis, over the short-term, being placed on cost versus benefits. Given the philosophical differences stated above, it becomes necessary to handle both areas separately from an administrative standpoint with a coordinating agency responsible for bringing about, in a synergistic manner, the desired results of generating community wealth and increased capital flows.

Integration of Corporate Giants into the Minority Enterprise Plan

It is recognized that the 1,000 largest corporate concerns control the commerce centers of the nation and indeed major parts of the world economy. Any plan for inclusion of minorities in the market economy must be accomplished with the full cooperation and support of the largest corporations. Those agencies responsible for minority enterprise development must develop new strategies and incentives for securing larger corporation involvement. Among the incentives to be considered are:

- tax credits to major corporations to attract equity capital into minority areas

- guarantees against losses on investments made to the minority sector

- lenders should be subsidized on interest rates so that the rate received would be commensurate with the abnormal risk involved, similar to an FHA mortgage insurance plan

- Non-minority business owners selling their businesses to minority businessmen may be given a guarantee of payment for unfunded portions of the selling price (on an insured basis) to reduce the risk to the non-minority and to increase the ability of the minority concern to meet the selling price.

- the use of the Employee Stock Ownership Trust (ESOT) to allow minorities to purchase shares of larger concerns or major firms to which government guarantees are provided. The "Trust Plan" will allow major corporations to make a tax deductible transfer of funds to minorities

- encourage the use of minority suppliers to major firms in satisfying EEO guidelines, by allowing employees of minority suppliers to be credited to the major corporation's satisfying of EEO quotas

- encourage the spinning off of divested firms to minorities

In addition major governmental agencies which have not been significantly involved in minority programs need the encouragement to develop programmed efforts directed to minority programs, agencies such as:

Treasury Department	Department of Transportation
Department of Agriculture	Department of the Interior
Maritime Administration	NASA

One-Stop Financial and Management Services

The position taken by the Task Force requests the consideration of plans to consolidate within private companies such as BDO's, CDC's or MESBIC's, the tasks of providing both financial assistance and management assistance. The merger of the two major functions in so called "one-stop" centers would result in greatly reduced costs in time and personnel and overhead expenses.

The task force also recognizes that the Administration believes that the Federal Government should not and cannot effectively assume a large role in making individual credit allocation decisions for small business financings. "The principal responsibility for such decisions should be left to the private sector. Federal agency personnel should not become a major influence in determining which businesses are good investments and which aren't or which entrepreneurs are likely to succeed or which aren't."

It is because of this strong belief that such credit allocation decisions should be made primarily in the private sector, that the Administration has not requested an expansion of the 7 (a) direct loan program of SBA."(3)

In consideration of the Administration's strong position on the transfer of major financing programs to the private sector, it is recommended that a pilot program be developed to transfer to MESBIC's, CDC's or other regulated investment vehicles a portion of the financing programs which now fall under SBA authority.

(1) Testimony of Walter D. Scott, Associate Director for Economics and Government, Office of Management and Budget, in testimony before the Sub-committee on SBA Oversight and Minority Enterprise, March 4 and 5, 1975

EXHIBIT "A"

MINORITY ENTERPRISE FUNDING NEED
RATIONALE FOR GOAL SETTING

Assumptions

- That a goal be set by the Administration that would enable minority owned firms to achieve a business revenue level, with respect to all business concerns, which is approximately equivalent to the percentage representation of minorities in the total population, i.e. the long-term goal for revenues of minority owned firms shall be approximately 17% of all business revenues.
- That through incentives provided by the government to private capital markets, capital will be encouraged to flow into minority markets to the extent that fosters business expansions and new starts, the sales of minority owned firms shall accrete at a 20% per year compounded rate.
- That the bench mark for determining the goal for sales of minority owned firms, have built into it an additional 5%/year growth factor to take into account the normal growth of the total economy.

Facts

(a) Revenues for all minority owned firms, for the base year, 1969, were $10.6 billion(1)

(b) Revenues for all business concerns, for the base year, 1969, were $1.76 trillion(2)

2. "Minority Owned Businesses" 1969, MB-1, Issued August 1971, U. S. Department of Commerce

3. "Statistics of Income 1967" Department of the Treasury, Internal Revenue Service, May 1971

(c) The ratio of cumulative corporate investment to revenues is approximately 1:2.25 (2)

CHART I

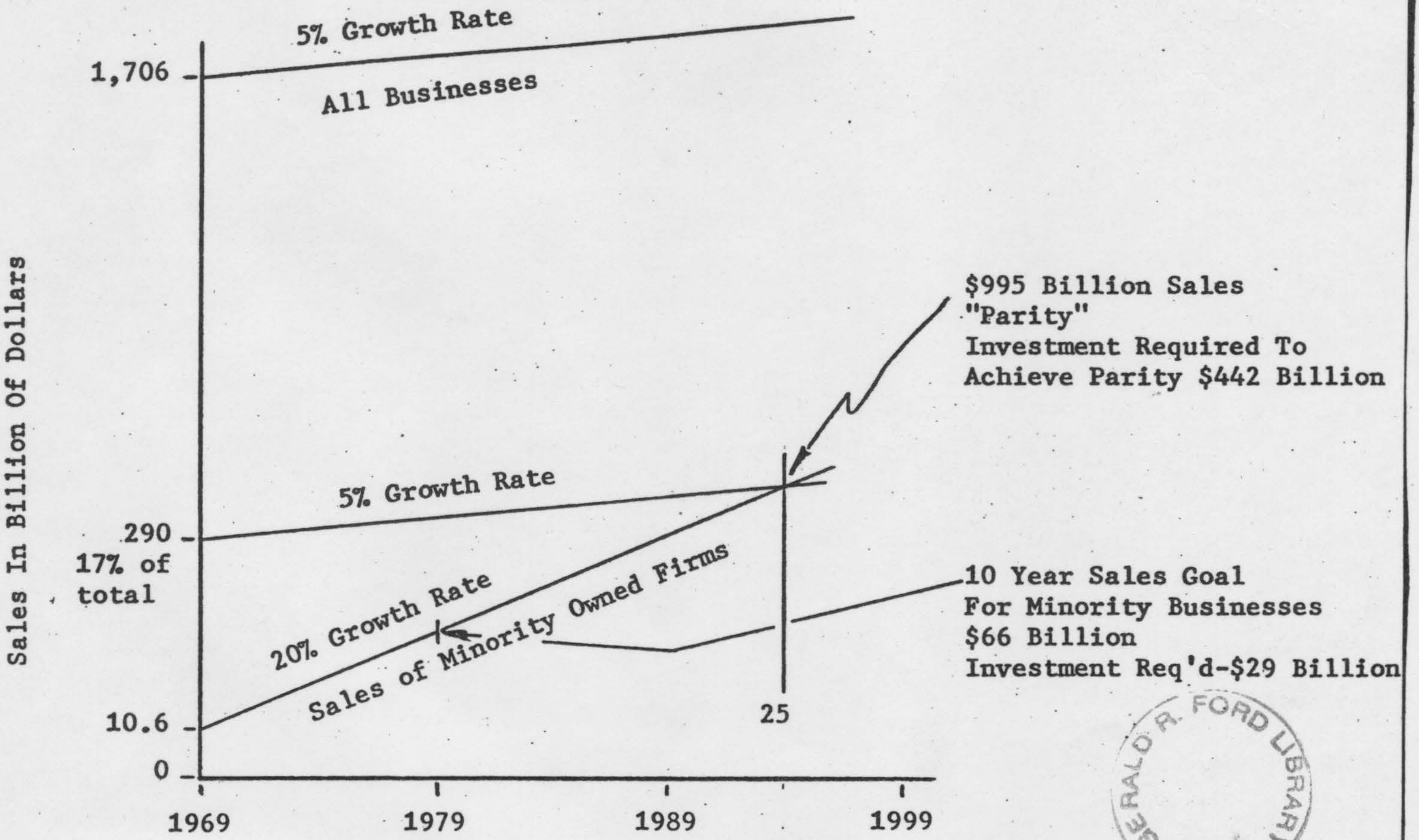

Chart I shows in graph form the facts and assumptions stated earlier. A Commerce Department publication footnoted earlier lists the number of minority owned businesses, in 1969, as being 322,000 in number, with gross sales of $10.6 billion, or an average of less than $35,000 per business. The Internal

Revenue Service in the same year recorded 11,670,570 business tax returns with sales of $1.76 trillion; sales of minority owned firms, in that year, represented .6% (six-tenths of one percent) of sales of all businesses.

Since minorities represent 17% of the population, the assumed goal is that sales of minority firms will approximate 17% of all business sales. The chart further assumes that all sales will grow at 5% per year and the accretion has been imputed into the goal for minority owned firms. The result is that "parity" or the desired 17% of sales for minority firms will be achieved after 25 years.

To get an idea of the investment required to achieve the sales goal, the model uses the Internal Revenue Statistics for all corporations; see Table I below

Table I

Statistics for Corporations

Year	No. of Tax Returns	Total Sales	Cumulative Investment
1967	1,534,360	$1.39 Trillion	$613 Billion

Total sales for all corporations, for the most recent year that figures were available, were $1.39 Trillion; total cumulative investment for corporations, as represented on the balance sheets submitted to the Internal Revenue Service was $613 Billion.

The ratio of investment to sales was 1:2.25, or said another way, it took $ 1 of investment, over time, to generate $2.25 of sales. Using the ratio as a guideline, in order to achieve minority owned company sales of $995 billion, or "parity", the required investment may be $442 billion; ex. $995/$2.25

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

ROUTE SLIP

DATE June 23, 1975

TO: Mr. Stan Scott, Room 179, EOB

FROM: Bill Parras, Commerce Branch

REMARKS: For your information

OMB FORM 38
REV SEPT 70

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUN 23 1975

Mr. Alex Armendaris
Director, Office of
Minority Business Enterprise
Department of Commerce
Washington, D.C. 20230

Dear Mr. Armendaris:

Ms. Pat Lindh, Special Assistant to the President for Women, has recently brought to our attention the enclosed position paper which addresses the concerns and presents recommendations of several businesswomen interest groups. Some of these concerns and recommendations are directed at OMBE programs as well as other Federal programs which provide assistance to businesswomen.

The proposal was made that the current minority business study should be expanded to consider the views of this position paper. As a preliminary step, we would like to receive by July 14 your comments and responses to those issues or recommendations which have been presented in this position paper. We also plan to request responses from other Federal agencies with responsibility for providing assistance to businesswomen.

Sincerely,

David M. Bray

David M. Bray
Deputy Associate Director for
Economics and Government

Enclosure

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUN 23 1975

Mr. Louis F. Laun
Deputy Administrator
Small Business Administration
Washington, D.C. 20416

Dear Mr. Laun:

Ms. Pat Lindh, Special Assistant to the President for Women, has recently brought to our attention the attached position paper which addresses the concerns and presents recommendations of several businesswomen interest groups. Some of these concerns and recommendations are directed at SBA programs as well as other Federal programs which provide assistance to businesswomen.

The proposal was made that the current minority business study should be expanded to consider the views of this position paper. As a preliminary step, we would like to receive by July 14 your comments and responses to those issues or recommendations which have been presented in this position paper. We also plan to request responses from other Federal agencies with responsibility for providing assistance to businesswomen.

Sincerely,

David M. Bray

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Deputy Associate Director for
Economics and Government

Enclosure

POSITION PAPER: WOMEN AND BUSINESS

Important strides have been made by the Federal government in recent years in developing mechanisms to ensure that racial and ethnic minorities participate more fully in the nation's business life. This program clearly has been effective.

Within this framework of progress, it is now imperative for women in business to be similarly assisted in participating in our free enterprise system.

The image of the woman in business has been confused by two factors. For some time many women have owned businesses in name only as figureheads for their husbands as a way of avoiding certain bankruptcy proceedings. On the other hand a few dramatic successes like Elizabeth Arden and Mary Wells Lawrence have tended to create the impression that women are doing well in business.

We disagree. There are no data, however, because, among other reasons, no Federal agencies require lending and credit institutions to report the number of applications received and refused or accepted by sex.

However, it has been conclusively shown that women are economically more at risk than men in the nation's economy. Hearings of the Joint Economic Committee of Congress in 1973 carefully examined the economic problems of women. They established that women are disadvantaged as wage earners, heads of households, non-paid homemakers, and -- most importantly for our purposes -- in seeking the credit and insurance they need as business owners. They are also excluded from the Junior Chamber of Commerce, Rotary,Kiawanis and other business-related institutions.

Lawyers for the Women's Equity Action League and the Center for Women Policy Studies have done research on whether women should be formally declared a disadvantaged group, and believe that an Executive Order to that effect would be one remedy. The 1973 Economic Report of the President noted that the average year-round full-time woman worker earns less than 60 per cent of her male counterpart.

Legal and financial sanctions also discourage the woman business owner. Studies by the Center for Women Policy Studies have shown that women are implicitly excluded from the credit systems of communities across the country. The seriousness of this discrimination has finally been recognized by the Federal Equal

Credit Opportunities Act of 1975. Proposed regulations are now being circulated by the Federal Reserve Board to halt discrimination against women by banking institutions. The findings of a Federal Home Loan Board survey two years ago will soon be obsolete. That survey showed that only 22 per cent of 74 savings and loan associations counted all of the wife's salary when assessing the credit reliability of a married couple.

While these discriminatory credit practices have severely limited women's participation in the economy, they have had an even more profound effect on women business owners who have faced unreasonable barriers in borrowing initial capital, operational monies, expansion funds and venture capital.

Not only are women as a whole economically deprived, but they are at a distinct disadvantage socially and culturally in their ability to compete and fully participate in the business and management world. Psychologically, experientially and in terms of role expectations, women are often steered away from the opportunities that would result in business acumen and competence. Simmons College has pioneered in this field with a special M.B.A. program for women that has specifically documented social and cultural discouragements often faced by women who seek active business and entrepreneurial roles. Those who do enter the world of business are often directed into traditional "women's businesses" such as beauty salons, the cosmetics industry and fashion.

Even when a woman succeeds in overcoming the combined economic, social, cultural, legal, and financial obstacles to owning and operating a business, she finds nonetheless that she is more vulnerable than men and some minorities in a time of general economic hardship.

Several mechanisms already exist for addressing these problems. Under Executive Order 11246 (as amended by Executive Order 11375, October 13, 1967) compliance review of Federal contractors and subcontractors is provided to ensure nondiscrimination in employment on the basis of sex. In the short history of compliance reviews of government contractors and subcontractors covered by this order, however we know of no review as to contracts awarded to woman-owned businesses.

The Small Business Administration could be a formidable ally for women business owners by equitably guaranteeing loans under a 1974 Amendment to its authorizing legislation which prohibits sex discrimination. But the SBA received no new enforcement provisions with this measure.

In 1973 women received 123 of SBA's 33,948 loans, or less than half of one per cent. Under the now well-known Section 8(a) program for minority business enterprise, the SBA approved only 38 female-owned firms as eligible for 8(a) contracts out of a total of 1,780 in 1972. Eight of those woman-owned firms received 8(a) contracts for awards totaling $3,000,000 out of a total of $153,000,000 awarded in FY'72, or just under two per cent.

Although the offices of General Counsel for the Office of Minority Business Enterprise and the Small Business Administration have expressed opinions that women are already included under Executive Order 11625 which defines minority business enterprises, the experience of firms which are members of the Association of Women Business Owners has been notably negative in seeking assistance under this program. The Association's members feel that SBA staff are rarely supportive of women. For example, the agency still gives a "Businessman of the Year" award. In its training programs the agency gives no attention to the problems of the woman business owner who has had difficulty establishing a line of credit because banks required a male co-signer or her husband-partner died.

Despite the fact that there are cabinet and sub-cabinet level agencies that might be expected to look after women's interests in the world of business (the Department of Commerce, Office of Minority Business Enterprise, Office of Federal Contract Compliance, and the Small Business Administration to name a few) to our knowledge there is not one office where a woman-owned business can file for grievance procedures on grounds of suspected discrimination in the award of a Federal contract.

Women owning businesses need assistance in the following areas:

1) SBA loans and technical assistance

2) Government contracts and subcontracts

3) Contracts and assistance to disadvantaged enterpreneurs.

We therefore make the following proposal to be incorporated in the revisions of the minority business study now being considered by the Office of Management and Budget.

I. SBA LOANS AND TECHNICAL ASSISTANCE

The Small Business Administration was created by Congress to encourage, assist and protect the interests of small businesses. SBA was charged with taking the lead in identifying and analyzing small business problems, serving as the voice and advocate of small business, fostering and coordinating research and organization of significant data as well as initiating ideas and innovations to widen opportunities for small business to start and compete on an equitable basis.

The agency is to carry out this mandate by insuring that small business concerns receive a fair proportion of government purchases, contracts and subcontracts, as well as of sales of government property: making loans to small business concerns, state and local development companies, and victims of floods or other catastrophes; licensing, regulating and lending to small business investment companies, improving the management skills of small business owners, potential owners and managers; and conducting studies of the economic environment.

A. Objectives

1. Award more loans, and see that women receive more dollars under SBA programs.

2. Assure that more women avail themselves of SBA's technical assistance programs.

3. Assure that SBA take full cognizance of the economic and cultural needs of women business owners.

B. Actions to be Taken to Meet the Objectives

1. Amend the SBA Act to specifically include the word "women" in all sections referring to eligibility - particularly the section classifying the disadvantaged.

2. Sponsor a national study to identify the number of women who applied for SBA loans, the number who received loans, the amount of the loan, default rates, etc.

3. Sponsor conferences to assess the needs of women entrepreneurs and to establish channels of communication between women business owners and the SBA.

4. Compel SBA to implement its internal Standard Operating Procedures regarding non-discriminatory practices. Implementation of the Boggs law should be documented with regard to non-discriminatory practices of SBA, and data and statistics should be collected on the numbers of loans and services awarded to women. Such information should be made available to the public.

5. Offer more women technical SBA assistance.

6. Encourage more women to apply for loans and technical assistance through a media campaign to be conducted by women's organizations.

7. Identify and recruit women eligible to participate in SBA's loans and technical assistance programs.

8. Appoint more women business owners to SBA's Regional Advisory Committees.

9. Modify SBA publications to include women in a genuine and substantive way.

10. Hire and promote women into higher grade and policy-making positions within SBA.

11. Assess SBA's affirmative action plan and its implementation through the Civil Service Commission and OMB.

II. GOVERNMENT CONTRACTS AND SUBCONTRACTS

All firms holding government contracts exceeding $5,000 in value are presently required to use their best efforts to ensure that "minority business enterprises have the maximum practicable opportunity to participate in the performance of Government contracts." (Chap. 1, Federal Procurement Regulations, 1-1.13)

A. Objectives

1. Award more government contracts and subcontracts to women.

2. Establish standards and monitor enforcement through the contract compliance program.

B. Actions to be Taken to Meet the Objectives

1. Amend Chapter 1-1.13 of the Federal Procurement Regulation to include women.

2. Amend Revised Orders Nos. 4 and 14 as follows:

   a. Add the following section to OFCC's Revised order No. 4:

      Section 60-2.24 Development and execution of programs. --

      (i) Contractors should review their subcontractors to evaluate an acceptable ratio of minority and female business enterprises.

      (j) If no standard exists for minority and female business enterprises criteria, the contractor should take the appropriate corrective action.

   b. Add the following section to OFCC's Revised Order No. 14:

      Section XIV. Minority and female business enterprises. Has the contractor reviewed corporate practices to determine whether minority and female entrepreneurs are receiving fair consideration for equal participation in all benefits derived from a government contract, such as (1) an opportunity to perform as managers; (2) an opportunity to further expand employment opportunities for minorities and women through their business enterprises.

      (1) Describe any positive efforts towards goals and timetables established under this affirmative action item.

(2) Evaluate these efforts in comparison with like actions taken with non-minority or male owned institutions. Evaluation criteria might include, but not be limited to:

(a) Purchase of goods and services from minority and female entrepreneurs.

(b) Deposits in minority or female owned banks.

(c) Participation of minority and female owned insurance frims for company and employee coverage.

(d) Advertising in minority and female owned media.

III. CONTRACTS AND ASSISTANCE TO DISADVANTAGED ENTREPRENEURS

Primary agencies of the minority business programs (OMBE and SBA) are required to recruit and train women entrepreneurs as well as men. Due to the cultural and economical disadvantages women often face in the business world, and because of discrimination against women in business training and in credit practices, it is necessary to step up activities designed for the woman business owner.

A. Objectives

1. Award more 8(a) contracts to women

2. Integrate women fully into all aspects of the Federal government's minority business enterprise programs.

B. Actions

1. Amend the SBA implementing regulations for Section 8(a) of the Small Business Act (13C.F.R. 124,8-1(c)(1) and Section 6a of Executive Order 11625 to include women as a class of "socially or economically disadvantaged persons".

2. Establish an interagency committee concerned with women business owners to oversee the integration of women into all aspects of the minority business program.

3. Develop SBA standards and licensing procedures for women-owned business investment companies, similar to MESBICs, to provide funding for women-owned firms.

4. Maintain statistics on all minority business programs by sex as well as race including at least the following: applicants for loans, minority vendor participants, recipients of loans, recipients of technical management assistance, attendance at technical workshops, participants in advisory committees, etc.

5. Submit SBA and OMBE semiannual reports to OMB and the Congress showing participation of women in all aspects of the agencies' programs.

6. Sponsor a joint SBA and OMBE kick-off conference during IWY for present and aspiring women entrepreneurs to convene with Federal officials in charge of contracting and business management assistance.

7. Conduct a comprehensive study of women-owned businesses through IRS, OMBE and the Bureau of the Census; make the information available to all interested parties.

8. Mandate the principal 8(a) contracting agencies (DOD, GSA, etc.) to conduct seminars across the country informing women about government contracting, procurement and procedures.

9. Conduct a nationwide outreach program for high schools, colleges, and vocational schools to encourage young women to go into business and to educate them about essential elements of business through OMBE.

THE WHITE HOUSE

WASHINGTON

August 25, 1975

MEMORANDUM FOR: PAUL THEIS
JACK CASSERLY

FROM: STAN SCOTT

SUBJECT: Presidential Address
National Baptist Convention, September 12

It would seem to me that the President might want to use this opportunity to break new ground in his Administration in the area of Minority Business Enterprise. On November 11, 1974, the President issued a memorandum to Departments and Agencies stressing his support of the Office of Minority Business Enterprise, and requested reports on the effectiveness of the government's program by January 31, 1975.

Meanwhile, our office held a White House conference on minority enterprise, inviting 200 Blacks, Browns and Indians to participate. With the approval of OMB, we organized a Task Force from this group to work with Federal officials at OMB, SBA and OMBE in designing new policy to make the program more effective.

That study should now be complete. The announcement of new initiatives in this area would, in my view, attract widespread positive reaction at a time when minority businesses are particularly vulnerable.

My office has received hundreds of letters of inquiry as to what the Administration is going to do in this area. I think that we could announce some new directions without the promise of much additional money and gain an awful lot of credibility from the minority community. They view the minority business enterprise program as the real vehicle to bring them into the American mainstream. This program is viewed by the Party conservatives as a self-help plan and is acceptable to them, so we do not have to worry about criticism from this segment of society.

I think this theme would be a winner.