



Remarks Prepared for Delivery

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Boston

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Introduction

Thank you, Sandy (*Blitz, Regional Administrator, SBA*), for that kind introduction. It is a pleasure to be here with the Boston Hispanic Chamber of Commerce, and I appreciate the opportunity to spend some time with you today as you celebrate the critical, and growing role, minority businesses play in our economy.

The President would be most encouraged by what is going on here today, as he believes in the promise of free enterprise, and sees small business ownership as the gateway to greater opportunity for *all* Americans. As he has said on more than one occasion:

“Small business ownership is a great equalizer in America. The only connections you need are happy customers, [and] a good business plan. The only credentials you need are good products. The only values you need [are] to be willing to take risks and to work hard.”

That describes all of you in this room and I applaud your personal commitment to advancing economic prosperity in America and your role in making the American dream a reality for more Americans.

While we can all agree on the critical role small businesses and entrepreneurship plays in our economy, we cannot overlook the unique contributions of minority businesses to America's economy. Minority businesses have become a vital growth sector, expanding from about 7% of all U.S. business enterprises 20 years ago to about 18% today.

Diversity not only makes our culture as a nation strong, but it makes our economy strong and I am pleased that the Small Business Administration does so much to promote small business development for all Americans – of all geographic and demographic sectors.

This is important because in our Tom Friedman - the world is flat - dynamic - competitive - global economy, we must ensure that all demographic and geographic groups are fully participating in our economy and driving towards the shared American dream. Anything less puts our country at a competitive disadvantage in the global marketplace.

The Financial Crisis

Today, as you are working hard to build your businesses, our economy faces challenges. We meet at a time when many Americans – for understandable reasons – are concerned about their economic security and our economic future.

The wild ride on Wall Street and the credit crisis has all of us – even those who always thought that Wall Street was far away and irrelevant to the lives of everyday small businesses and families – paying close attention to the intricate workings of the financial markets. Clearly, the credit situation is a serious one, and a situation that required quick and decisive action.

Quick action is exactly what the Federal Government has provided. Working around the clock and working in concert with governments around the world, the federal government led by the President and Secretary Paulson have brought an impressive array of tools and actions to bare on the financial crisis that began on Wall Street, but impacts all of us on Main Street.

There have been several announcements regarding the \$700 billion Emergency Economic Stabilization Act, and I want to walk you through the four key elements of this plan – all of which are designed to unfreeze our credit markets and get banks lending again, especially to small businesses and consumers.

- *First*, \$250 billion of the package will be used to provide direct capital injection into banks. For every dollar the government injects into these banks, banks will be able to make up to \$10 in loans – this is critical at a time when the financial system lacks the needed liquidity to make loans.

In exchange for this capital injection, the government will acquire non-voting shares in these banks – which the banks will pay a yearly dividend and will buy back in about 5 years, ensuring the taxpayer gets their investment back.

- *Second*, the FDIC will significantly expand the level of insurance it provides. FDIC, which already protects your deposits, will now temporarily guarantee all non-interest bearing accounts previously not covered by FDIC insurance. These accounts, primarily used by businesses for payroll and inventory purchases, will be fully insured for an unlimited amount. This will provide additional security for deposit holders who may be concerned about the stability of their institution.

Additionally, FDIC will begin to insure bank-to-bank lending. Inter-bank lending is a common occurrence and critical to the free flow of capital.

With this new FDIC insurance, when Bank A wants to take a loan from Bank B – either overnight or for a longer period of time – Bank B can be confident in making that loan because it will be insured by FDIC. This is important because many banks have essentially stopped lending to each

other and this has really constrained the flow of capital and bank's ability to make loans.

- *Third*, the Federal Reserve will now have the authority to be the buyer of last resort for commercial paper, used by businesses for short-term financing. With the Fed serving as a possible purchaser of these assets, it will help unfreeze this market and get capital flowing again.
- *Fourth*, is the previously announced plan to buy up mortgage-backed securities that are clogging our financial system. These mortgage-backed securities are essentially bundles of mortgages held by folks like you and me, living in real homes, with real values. The government will be able to buy these bundled home mortgages at a steep discount – 20 to 40 cents on the dollar – and resell them later at a profit. This will provide the immediate benefit of getting these unpopular assets off the market, get capital flowing again, and provide a net profit to the taxpayer in the long-run.

By the way, it is important to note that even today, about 95% of all mortgages are being paid on time.

All these elements add up to a “*failure is not an option approach*” to the credit crisis and will get capital flowing to Main Street again. Keep in mind: *All* these efforts will need some time to work their way through the economic system.

Success will not be measured overnight, but I am confident in the approach the President and the Treasury Secretary have crafted, which, by the way, is being conducted in concert with our financial allies across the globe. This is global situation and we are engaged in a global response.

Finally, on this topic, remember that these actions, while bold and new, are temporary measures intended to stabilize private financial markets, not replace them with government control. These actions are geared not for the Bentley-driving Wall Street fat cat, but the Buick-driving small business owner with five employees, dreams of expansion and who is having trouble securing credit today because our credit markets are frozen.

Perspective

Let me close by putting things in perspective. This crisis has given voice to some of the shrill – but perhaps well-meaning – voices who are advancing the “Chicken Little Theory.” My perspective is that while no one can dispute the sobering nature of the news of recent weeks, we should not overreact – one way or another.

The economic obit of America has been written before.

- In the oil shock of the early 1970s – many believed that our best days were behind us.
- In the late 1970s – when we experienced stagflation and malaise many believed that we had to lower our standard of living.
- In the early 1980s – the recession of '81 – '82 caused some to lose confidence in both the big government ways of the 1970s and the new direction that Ronald Reagan and George H. W. Bush wanted to take the nation.
- In 1987 – we saw a true stock market crash, a 23% drop in the value of the stock market in just one day.
- In the early 1990s – the rise of Japan's economy caused some to believe that America was incapable of competing against the world and that we were headed to become a second-rate economic power.

The predictions of doom and gloom for each of these events were no more valid then, than the similar predictions I hear today. Is the challenge we face today different? You bet – just as different as each of these previous challenges were

from each other. Yet, with each of these challenges our country not only survived, but experienced significant economic growth afterwards.

We have tough questions to ask ourselves. But as we look for answers, let's remember that the situation we are in today is indeed temporary and we will return to strong economic growth. It won't happen overnight, but it will happen.

As you and your business deal with the economic challenges that confront our nation, I encourage you to take advantage of the great resources available to you through the Small Business Administration. SBA has 100-plus offices and 1,500 resource partner offices across the country all staffed with professional business counselors who can help you with financing options, business plan development, government contracting opportunities, advice on international trade opportunities, and a whole range of business development services – and they are all free. You are not alone and there are free and low-cost services out there to help you weather the storm.

Conclusion

I remain optimistic about both the promise of America, the promise of our economy, and the promise of small business -- especially as the role of minority small businesses continues to expand.

Have faith in yourselves and faith in the United States of America. Neither has let us down yet. My thanks to all of you for your hard work and kind attention today.