

**Economic Development and Inner Cities
In Massachusetts: Recommendations for
Expanding the Capacity of Small Businesses
and Microenterprises**

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James Jennings, Senior Co-Author
With
Regina Rodriguez Mitchell
Russell Williams, Ph.D.
Fernando Milan, Ph.D.

Workshop Facilitators

Juan Evereteze
Miller Lovett, Ph. D.
Joseph D. Feaster, Esq.
Paul Udofia
William Thompson
Margo Daniels Tyler
Philip Hart, Ph.D.

Executive Summary

This Report provides the proceedings and findings of a series of workshops planned and implemented by The William Monroe Trotter Institute at the University of Massachusetts, Boston, on behalf of the Massachusetts Executive Office of Economic Affairs. The half-day workshops were conducted between March and May 1996 in six cities in Massachusetts selected by the Executive Office of Economic Affairs: Springfield, Worcester, Lawrence, Lowell, New Bedford, and Boston. More than 175 individuals representing government, community organizations, the corporate sector, higher education, labor, and minority-business owners participated in these workshops. The focus of the seminars was to develop and discuss broad recommendations germane to generating and expanding businesses in economically-distressed neighborhoods, and linking such businesses to city and regional economic development strategies. Additionally, the workshops provided opportunities for participants to discuss obstacles or concerns related to the expansion of minority-owned businesses in these cities. The recommendations offered in this report are aimed at facilitating the role of government and the private sector in raising the issue of minority-owned businesses in inner cities as a key component of city and regional economic planning strategies.

The Trotter Institute team planned the workshops with several specific objectives. One objective of the project and its final report is to generate dialogue about how Black, Latino, and Asian businesses can help to resolve local economic distress, as well as improve the effectiveness of strategies for economic development that benefit neighborhoods, cities, and regions. The facilitators encouraged workshop participants to identify assets and resources that small businesses and microenterprises could utilize to increase their viability and profitability. Related to this is determining the kinds of governmental policies and responses that could increase the attraction of other resources into the inner cities, without necessarily depending on the availability of new public dollars. Participants considered ways of leveraging available public dollars and partnering with the corporate sector. The emphasis of the dialogue was on identifying potential actions that can contribute to "sustainable" economic development over a relatively long period. After reviews of the literature and government reports on this topic, the research team consulted with experts and representatives of business and community sectors regarding the project's objectives in order to determine the key questions relevant to this topic. The major questions guiding the discussions in each of these cities are provided in the Report.

The following major findings and recommendations emerged from the workshop deliberations and activities in the six cities.

- 1) There is a need for government and the private sector to utilize effectively community-based and minority-owned businesses as tools for the economic and social development of poor and working-class neighborhoods;
- 2) Local and state governments should seek to locate public agencies in economically-distressed communities;
- 3) Strategies for economic development in inner cities must include consideration about keeping new capital and wealth in these communities for long periods;
- 4) The focus of economic development in urban communities should be the retention, as well as generation of jobs;
- 5) Minority-owned businesses should not be "economically isolated," but linked to larger businesses through mechanisms like service and product sub-contracting;
- 6) Training programs and resources are important to enhance the quality of the labor force, and to encourage entrepreneurship, especially among youth;

- 7) The availability and expansion of equity funding opportunities is integral to effective strategies for the generation and expansion of minority-owned businesses in distressed communities; and,
- 8) The positive impacts of minority-owned businesses should be documented and disseminated widely by government and the private sector.

These findings are discussed in greater detail in the Conclusion of this report.

This report includes several appendices with data and information that were utilized in the planning and implementation of the workshops. The bibliography includes government documents and other reports that were reviewed, as well as interviews conducted in preparation for some of the workshops. Appendix A provides a demographic overview of the population of Massachusetts by racial and ethnic categories. It also contains a table showing poverty rates for the cities that are part of this project. Appendix B includes information about Black and women-owned businesses in Massachusetts in 1987 and 1992. In addition to the number of firms, with and without paid employees, this appendix includes information about the distribution of these firms, as well as average sales and receipts in 1987 and 1992. Appendix C includes detailed demographic, social, and economic information about each of the six cities visited by the Trotter Institute.

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INTRODUCTION

The general purpose of the six workshops planned and convened under this project was to examine potential strategies and policies for expanding minority businesses in economically-distressed neighborhoods. A related aim was organizing a colloquy focusing on how minority-owned enterprises can be utilized as key parts of economic development strategies at the city and regional levels. The project was designed to examine some of the major issues in economic development planning for Massachusetts and inner cities. The project provides participant responses to how minority businesses can assist the overall development of inner cities, but also contribute to economic development at the city and regional levels. This project identifies guidelines and components of strategies for the economic development of these areas by tapping the experiences of the project's participants, and providing insight about significant obstacles to the expansion of minority businesses and capacity.

This project, based on extensive input from individuals and organizations across the Commonwealth, identifies several components that serve as basis for developing specific strategies and programs at the state and local level. Participants in each of the workshops included representatives from banking, clergy, housing, financial, and real estate arenas, minority business owners, universities, Chambers of Commerce, elected and appointed officials, and representatives of non-profit organizations involved in economic development.

The generation and expansion of small businesses in distressed neighborhoods is not simply a response to the need to improve living conditions in these places, but also a tool for the city's and

region's overall economic development in the current period, as well as a response to a new demographic context composed of greater numbers of Black, Latino, and Asian citizens. Several sources have suggested that strengthening businesses in the so-called inner cities can produce important benefits for the Commonwealth. According to one of the authors of this report, James Jennings, and based on several studies produced by the Trotter Institute, a stronger minority business sector can help to position Massachusetts as a more effective economic player in an international arena that is increasingly becoming more competitive, and racially and ethnically diverse. A healthy business sector in urban communities and its inner cities, linked to broad regional strategies, can generate jobs at greater levels, as well as increase employment and economic opportunities for residents over a wider geographic area. A concomitant benefit is increased tax revenues, along with the lowering of costs of doing business in cities. The establishment and growth of small businesses also contributes to strengthening the institutional fabric and economic diversity of neighborhoods.¹

While increases in the number and capacity of small businesses is not a panacea, and cannot by itself serve as a response to fundamental challenges to the U.S. economy such as globalization, declining wages, increasing wealth inequality, and continuing racial divisions, it is important for local communities to utilize small businesses as assets in the most productive way possible. In the interest of enhancing the economic health of inner cities, the Trotter Institute team organized the workshops with several objectives, including:

- 1) encouraging dialogue focusing on the importance of Black, Latino, and Asian businesses as critical components for resolving local economic problems and conceptualizing strategies benefitting neighborhoods, cities, and regions;

- 2) identifying assets and resources in these places, and suggesting strategies, policies, and programs that facilitate the attraction of other resources into the inner cities;
- 3) developing strategies and program initiatives that are not necessarily dependent on the availability of new public dollars; and,
- 4) developing and coordinating strategies and program initiatives that contribute to “sustainable” economic development over a relatively long period.

The rationale for this project grows from earlier reports such as The Commonwealth’s, *Choosing to Compete: A Statewide Strategy for Job Creation and Economic Expansion*, as well as the Massachusetts Executive Office of Economic Affairs continuing interest and concern for developing a strong business sector in economically-distressed communities.² Additionally, this research project reflects the work and expertise of the Trotter Institute in the area of economic development and urban communities. The Trotter Institute has published several research reports for public agencies and other organizations.³ While *Choosing to Compete* . . . examined the strategies and programs that could be pursued in order to enhance the state’s economic productivity and health, it did not focus on the inner cities. Based on the input of participants in the workshops, this report proposes that there is a strong connection between the fate of inner cities, and other sectors of the economy. Recommendations for strengthening these connections are included.

The dialogue engendered by this Project is reflected in growing numbers of studies across the nation focusing on the role of businesses and economic development in the inner cities as a major concern. Small businesses and microenterprises are gaining attention as vehicles for improving living conditions in the inner cities. A few years ago the Committee for Economic Development in New York City issued a national report, *Rebuilding Inner City Communities: A New Approach to the Nation’s Urban*

Crisis, in which two significant factors were identified as key for successful economic development planning at the local, and regional levels.⁴ One is the commitment and leadership of government agencies and leaders in the pursuit of economic development, and the other is the expansion of businesses in Black and Latino communities. The Committee for Economic Development proposed that without a healthy business sector in the inner city communities, the most serious social, educational, and employment problems will remain intractable. This kind of situation, in turn, dampens the potential for greater levels of productivity, and economic health for the entire city, and region. Increasingly state and city economies will be dependent on the health of minority businesses operating in the inner cities. The growing connection between this sector and a city's, or region's, economic productivity was described strongly and documented in a report submitted to the Governor by the Massachusetts African-American Advisory Commission in 1995.⁵

These reports suggest that businesses in communities of color in Massachusetts must be strengthened and expanded as a way of improving living conditions for everyone. While the public sector in this state utilizes several policies aimed at this need, such as Executive Order #237, the private sector and local government entities in cities like Springfield, Worcester, Lowell, Lawrence, New Bedford, and Boston should help to develop new and creative initiatives. The private sector's involvement with the generation and expansion of small businesses and microenterprises in predominantly Black and Latino neighborhoods is especially important in conveying a message to the public that this is not simply an issue of affirmative action, or "minority set-asides," rather, it means that minority businesses in inner cities are now essential in developing a healthy economy for all citizens.

If these claims are accurate, then there is some reason to worry that government and the private sector in Massachusetts have yet to exercise strong and effective leadership regarding this issue. As is the case with other states and cities, Massachusetts is faced with the need to revitalize its urban communities, many of which have substantial Black, Hispanic, and Asian populations. According to demographic projections, furthermore, Blacks, Hispanics, Asians and Native Americans will comprise 30 percent of the state's population by the year 2010. In many of the cities visited by the Trotter Institute, as a matter of fact, the Black, Latino, and Asian populations are rapidly increasing in numbers and in their share of the total population, as is indicated in Appendix A.

As detailed in the "Demographic and Economic Analysis Report" which the Trotter Institute prepared as part of the racial disparity study for the Massachusetts Executive Office of Construction and Transportation in 1994, there are numerous reasons for concern about achieving significant growth and expansion of small businesses in inner cities.⁶ The latest available census data shows that minority businesses have yet to gain a secure foothold in the state's economy. While at the national level some progress regarding the growth of Black business was evident during the 1980s and 1990s, Black and Latino construction firms in Massachusetts earned only \$1 for every \$1,000 earned by white-owned construction firms. The average sales and receipts of Black firms in 1987 was \$45,000, while sales and receipts for white firms averaged \$149,000. In 1992, while the number of Black firms did increase compared to 1987, the gap in sales and receipts between these firms, and all firms remained significantly large. Although Blacks, Latinos, Asians, and Native Americans represented twelve percent of the state's population, minority businesses from all of these groups represented less than three percent of the state's proprietorships, partnerships, and 1120S corporations, and accrued less than two percent of the state's sales and receipts in 1987. Thus, this situation did not improve

significantly between 1987 and 1992 when the last business survey was conducted by the U.S. Bureau of the Census.⁷

Key indicators of social well-being for communities, such as poverty rates, home-ownership, income, unemployment rates and other indices show a growing divergence between the economic fortunes of the state as a whole and that of minority communities. In 1989, for example, Latino poverty rates were more than five times that of whites, while the poverty rates of Blacks were more than three times that of whites. Poverty rates were particularly high in urban areas like Boston, Holyoke, Lynn, and Chelsea. The unemployment levels for Blacks, Hispanics, and Asians is substantially above those of whites--in some cities ranging twice or three times as higher than whites. A review of data pertaining to this topic, furthermore, shows that in some of these cities thousands of manufacturing jobs have been lost. In the last several years, additionally, thousands of people have suffered lay-offs due to business closings in other sectors. The loss of jobs exacerbates problems related to poverty and economic distress in many predominantly Black and Latino neighborhoods. These conditions represent challenges not only for the residents of predominantly Black and Latino neighborhoods, but all people, and certainly the private sector. It is illogical to presume that the economy of any of these cities can be improved without concomitantly responding to the needs of its poorest neighborhoods. A healthy minority business sector might be able to alleviate some of these negative developments. This means that the minority business sector that is based in the inner cities should be viewed and approached as a vital component of any effective strategy for a city or state's economic development.

PROJECT METHODOLOGY AND ORGANIZATION

This project included several components and activities. Members of the research team investigated and analyzed demographic data for each city visited and reviewed major characteristics of the minority businesses as reported by the U.S. Bureau of the Census in 1987, and in statewide data for 1992 (see Appendices). These cities were selected due to their increasing population of color, coupled with continuing poverty and potential for major economic growth. Prior to the half-day workshops and forums the research team reviewed and summarized the economic, political, and social contexts for each city, examining briefly issues such as major development projects, and the history of citywide economic activities and problems. The research team prepared summaries of germane reports for the benefit of the participants. Based on several sources, including preliminary interviews with people in these cities, the research team developed a general profile of the city's economy and its relations with poorer communities; the team also focused on identifying potential or perceived problems to greater expansion of the minority business sector, as well as the major questions related to this investigation.

After several planning meetings, as well as review of government reports and data, and the scholarly literature, the Trotter Institute team developed a list of broad and specific questions aimed at investigating this topic. These queries touch upon a wide range of issues relevant to expanding small and minority businesses, and linking these businesses to city and regional economic development plans. The queries begin with those based on identifying information about the overall economy of the city and region, and then raise issues about the role of small businesses in this economy, and then focus on the status of Black, Latino, and Asian businesses in these places.

The City's Economy

- *What are the economic strengths and weaknesses of this area in the past 10 years?*
- *How do you see the area economy changing?*
- *What factors make your area economically distinct? In what areas do you feel that your area has a competitive advantage within the USA? New England? Massachusetts?*
- *What are the locational advantages and disadvantages for economic growth of your city?*
- *What types of projects would stimulate the City's economic and business community while utilizing currently available resources?*
- *What is the profile of the most and least "profitable" neighborhoods?*

The Role of Small Businesses in the City's Economy

- *What are the particular strengths upon which small businesses were started in the past, and what are they for the future?*
- *Do most small businesses in your city compete locally, regionally, nationally, or internationally?*
- *Are there particular small business clusters that could contribute substantially to future long-term economic growth?*
- *To what degree are small businesses a focus of local economic development planning?*
- *What role have local banking and financial institutions had in the capitalization of small businesses? Are there any financial institutions that have been formed to assist small businesses, or to access state and federal programs to help small businesses?*
- *Are there local public policies or regulations that impede small businesses? Are there state policies or regulations that impede small businesses?*

The Role of Small Businesses in Inner Cities

- *What are the particular economic characteristics of the distressed areas of your city?*
- *Are there any locational advantages or disadvantages of the distressed areas of your city?*

- *If your area is becoming more racially diverse, are communities of color represented in the membership of groups involved in economic planning?*
- *How vibrant are small businesses in communities of color? What are their characteristics? Are there major businesses owned by Blacks, Latinos, Asians and/or Native Americans?*
- *Are there strategies for overcoming disadvantages (i.e. transportation improvements, infrastructure improvements, environmental cleanup, etc.)*
- *What programs or policies exist to spur economic development in distressed areas? How effective have these been in helping businesses grow, in generating new businesses in those areas, and in promoting employment by residents?*
- *What processes are in place for to allow communication about economic needs, desires and priorities from distressed areas to economic planners?*
- *What roles have nonprofit organization played in economic development of distressed areas in your city?*
- *Are there untapped resources in the nonprofit sector (agencies or membership organizations) that could be transformed into economic assets?*
- *What are the major obstacles to capital formation for small businesses in distressed areas of your city? Do these reflect overall capital formation problems for the local economy or distinct problems for the distressed areas? How could problems be overcome?*
- *Have there been joint ventures between small and large businesses designed specifically to promote development in distressed areas? Is there potential for such ventures? If so, what types of businesses would you see participating?*
- *In what ways can your city ensure that the benefits of growth are distributed in ways to enhance economic activity by residents of distressed areas?*
- *What are major obstacles specific to small business growth in distressed areas of your city? What are the major obstacles to small business growth overall in your city? Are these the same? What strategies could be developed to address these obstacles?*
- *How can the city, state and federal governments coordinate respective policies and programs to achieve economic and business development stimulation within the small, minority and women-owned, business community?*
- *Are community development corporations fully tapped economic and business assets?*

**Should the scope of the existing financial programs be changed; and if so, how should these programs be changed in order to stimulate the small, minority-owned business sector?*

**Have alternative financing sources such as cooperative debt and equity financing been introduced to the targeted business communities?*

These questions have been identified as essential for understanding and assessing strategies germane to strengthening the minority-owned business sector. While not all questions were responded to during the workshop sessions, collectively, they provided a framework for the discussion organized by the facilitators. This list of questions represents a tool for policymakers, business representatives, and others, to explore the status of minority-owned businesses and linkages in their own city and regional economies. The questions also can serve as a roadmap to determine appropriate policy and programmatic responses aimed at building and expanding businesses in inner cities.

FINDINGS

Four significant observations emerged from workshop deliberations across the six cities. Generally, 1) participant discussions reflected a strong belief that cities cannot prosper, or respond to problems associated with unemployment and job flight, attraction of capital, or improved infrastructure or public safety, unless all neighborhoods are integral part of overall strategies of economic development. 2) Participants shared a belief that small businesses and microenterprises are a critical tool for including neighborhoods in strategies of economic and community development. 3) It was also a matter of consensus that the idea of economic development should be approached broadly, rather than merely as an issue of profitability for business. And, 4) many participants proposed, furthermore, that significant assets and resources associated with inner cities in these six cities are yet to be identified, and utilized effectively. Moreover, there is a concern that policies and programs for linking small businesses in inner cities to the city or region's economic development are not adequate, or absent in many places.

Participants with a broad array of experiences in the area of economic development agreed that at least one critical component of effective strategies for enhancing the economy of cities and regions, is the generation of viable small businesses and microenterprises in neighborhoods with relatively high levels of poverty, unemployment, and joblessness. An observation made several times in these cities is the differentiation between small businesses and microenterprises in the planning of economic development strategies in certain neighborhoods. The former can have between 5 and 500 employees, according to the Small Business Administration's Office of Economic Research in Washington, D.C. This number is too large for many businesses in urban places, thus the term,

microenterprise, has emerged to describe even smaller businesses. The term has been utilized in the forums to refer to small businesses that may have a few employees, usually four or fewer, including the owner. This is an important distinction that has implications for the kinds of strategies utilized to expand and assist minority businesses. Strategies aimed at generating 'small' businesses that may range up to 50 employees may not be as effective in some places where microenterprises are more appropriate due to population characteristics, or economic factors. Some workshop participants suggested that in some communities, microenterprises actually may represent a first stage, or necessary foundation, for establishing greater numbers of small businesses in later periods.

Strategies to develop businesses in inner cities that are 'isolationist' or disconnected from other sectors of the economy generally may not be effective in sustaining profitability over long periods of time. The expansion of the small business and microenterprise sectors in these communities should be linked to city and regional economic development plans. Recommendations for achieving this linkage are presented later in this report. The notion that economic development planning can be effective without the partnership of neighborhoods, especially those that are most economically and socially-distressed, was rejected by participants in all the cities. In fact, neighborhood concerns were seen as being inextricably related to economic development for the city and region. Many participants believe that economic development cannot be pursued simply as an issue of increasing the profits of businesses, although this is a significant component. The expansion of human capital such as training and education, as well as enhancing institutional networks of neighborhoods that are distressed should be considered key components of plans to improve the economy of these cities and their regions.

In some places there is a lack of conceptual integration, interaction, or coordination between organizations and programs aimed at economic activities and those focusing on social and community welfare. Not only is this disconnection unnecessary in Black, Latino, and Asian communities, but it is inimical to the growth and expansion of the economy at the city-level. Black, Latino, and Asian businesses in the inner cities tend to be involved with other community sectors and organizations, serving to strengthen institutional networks and infrastructure. Small businesses in these places can represent an important bridge between economic and community development. Minority businesses based in Black and Latino neighborhoods are intricately involved with a broad range of community and neighborhood issues because it is widely understood that the profitability of businesses is related to the well-being and social status of the community. Minority businesses interact in arenas involving public schools, youth, and social welfare policies that affect the quality of community life to a larger extent than majority businesses. Owners of Black and Latino businesses tend to view themselves as long-time “stakeholders” in these communities, not enterprises interested solely in making a profit, and then finding some more profitable undertaking in another place.

Many participants in the six cities offered that their experiences would suggest that small businesses and microenterprises are actually more effective if working in partnership with non-profits and community-based organizations. This reiterates an idea proposed by a growing number of observers, including individuals like Jay Sarles, the Vice Chairman of Fleet Financial Group, who stated recently that a healthy relationship between businesses and other agencies in poor neighborhoods is a necessity for effective economic development of these areas: “[a productive relationship between the two is crucial to the development of our urban communities].”⁸ This was also a conclusion of the report of New York City’s Committee for Economic Development cited earlier.

A review of studies of small Latino businesses in Boston and Lawrence, for example, indicated that these enterprises perform a wide range of social and economic services for their communities. They tend to provide employment, supply small amounts of credit, sponsor social and recreational events, and generally tend to be stabilizing institutional forces in their neighborhoods.⁹ The same dynamic can be witnessed in the institutional relationships generated by Black businesses in inner cities.¹⁰ Participants observed that since Black and Latino businesses generally are based in Black and Latino neighborhoods, the status of minority business is strongly correlated with other community and neighborhood issues that do not strictly involved business activities. This means that to address economic activities fully and effectively, business development programs should be conceptualized and implemented with some degree of involvement with non-business sectors. But community organizations should also seek to assist in areas that enhance the possibility of germinating businesses, as well as encouraging entrepreneurship among residents. Leadership of the non-profit sector should work closely with business owners in developing and implementing social welfare and education services.

A few participants suggested that one obstacle to establishing greater number of businesses in Black communities are prejudicial attitudes against businesses and entrepreneurship by individuals and community-based groups. Most participants, believe, however, that this assessment is not completely accurate; they tend to think that anti-business attitudes reflect lack of understanding or appreciation of the critical role that businesses play in facets of neighborhood life.

Another obstacle in the way of greater numbers and capacity of the Black and Latino business sector is the weak strategic connections with bigger economic actors at the city and regional levels. Economic downturns tend to hurt businesses in minority communities more than others partially due to a weaker, and less diversified small business sector in these areas. Linkages between businesses in Black, Latino, and Asian communities and big business actors could help to diversify this sector. Related to this is the belief on the part of many participants that assets and resources relevant to economic development in the inner cities are yet untapped by government or the private sector. Too many people see the issue of entrepreneurship and business generation in Black and Latino communities, for example, as separate from discussions aimed at positioning the city or region more effectively for economic growth.

In most cities participants indicated a disconnection between the issue of minority businesses and overall economic development strategies. Corporate leaders concerned about the overall economic health of the city, or region, may overlook the role that Black and Latino businesses can perform in the inner cities, and tend not to communicate with this sector about citywide or regional economic development. Although less prevalent than in earlier periods, a problematic attitude among some people in corporate and civic leadership positions is that the status of minority businesses is basically an affirmative action issue, rather than one of economic development for the city or region's future. This is unfortunate for two major reasons. One is that the city and region's economic health has major impacts on the well-being of minority businesses and communities and thus, downturns tend to hurt these communities more so than other communities as suggested above. Stronger linkages between minority businesses and other economic actors might mitigate the effects of economic

downturns. But this is also unfortunate because minority businesses, in alliance with other community-based sectors, could represent important components for effective economic planning at the city and regional levels. The significance of this kind of partnering was identified as a major concern in a recent letter to the Governor of Massachusetts by a coalition representing the interests of small businesses in Black, Latino, and Asian communities, as well as women-owned businesses. The letter proposed that “The Commonwealth should encourage partnering between the state, majority, minority, and women businesses as a means of establishing positive and meaningful business relationships.”¹¹

Black and Latino businesses are directly affected by the overall economic health of the city, but many times not linked strategically to local economic ‘anchors’ or growth sectors of the economy. For example, although one of the fastest growing sectors in Lawrence is involved with information technology, in the Latino community one sees a proliferation of ‘bodegas.’ The small grocery stores are not connected, directly in terms of services and sub-contracting, or indirectly at the level of policy and politics, with the larger corporations in this city. In New Bedford, some have suggested that the building of a casino will bring economic benefits to that region; but while there is an expectation of general economic growth, there is not indication that such a strategy is specifically linked to the generation of small businesses in high poverty arenas. It is generally accepted that the casino industry, particularly in inner-city neighborhoods, could produce entry-level jobs for the benefit of residents without high levels of schooling. But it is less clear how this activity could be utilized in increasing the number of small businesses or microenterprises in economically-distressed neighborhoods in that region.

Participants were concerned about a community's capacity to recycle the wealth or capital that it produces through small business activities. This is an important issue since some studies indicate that a dollar leaves Black communities, for instance, before it has circulated widely within the community. As one observer studying business in inner cities noted, "Money too often passes through urban ghettos, without lingering long enough to turn over several times and thereby generate incomes for other community residents. . . . Internal flows of income that might support greater economic activity and higher incomes within the ghetto are often absent."¹² It was proposed by the participants that strong and interconnected small businesses and microenterprises can be important tools for keeping income and wealth longer in economically-distressed communities, thus increasing chances for a multiplier impact through re-investment. Some participants offered that this requires the presence of a network of small businesses and microenterprises interacting with each other in the provision of goods, services, and collaborative investments. The circulation of dollars over time within a community between consumers and businesses, and among businesses, enhances the potential of each dollar to support yet greater levels of investment.

These were some of the general points raised by the participants in the six cities. While there is a commitment among some to generating and expanding small businesses in the inner cities, and participants are familiar with a variety of approaches and models, there was less clarity about what may be the most effective programs for accomplishing this objective in certain localities. This need for information generated a strong endorsement for more communication allowing government, community, and the business sector to discuss fully and comprehensively the issue of minority businesses and their place in the city's overall economic planning.

The concerns and suggestions of participants in each specific city are reported in the following part of this report. Each section begins with an overview of some major facets of the city's demography, economy, followed by the themes and concerns raised by participants in that particular city. The context described for each city reflects information in Appendices A, B, and C. Appendix A provides a demographic and social overview of Massachusetts; Appendix B provides information about minority-owned businesses in Massachusetts and the six cities; and Appendix C provides social and demographic data for each of these cities, including information on population, age structure, race and ethnicity, poverty levels, and per capita income. Appendix C also shows unemployment levels by race and ethnicity for each city in 1990; while in one case this information is not the most recent, it is still useful when one notes that Black and Latino unemployment remains at double to triple the white unemployment rate.

Springfield

The Context

Historically, Springfield's economic base has been grounded in manufacturing; however, this sector declined greatly over the past two decades. In 1980, 28 percent of all employed Springfield residents worked in manufacturing. By 1990, that figure dropped to 18 percent. Overall, the Springfield metropolitan area lost 23,000 manufacturing jobs between 1980 and 1991.¹³ While wholesale and retail trade employment in 1990 showed considerable improvement over 1980, employment in this sector was still far below the 1970 level. Over the past four years, over 10,000 people have been affected by layoffs and business closings in various sectors of the economy. Professional services appear to have the greatest growth rate and now represent 27 percent of all residents' employment—up from 22 percent in 1980.

Springfield has an advantage as the geographic center of the Northeast corner of the US, and as a location within a day's drive of 40 percent of all U.S. consumers. City leaders feel that it is strong in health, finance, knowledge, and information clusters (the city is at the juncture of state-of-the-art fiber optics systems), and hopes to recruit more companies in these areas. The Springfield Master Plan for Economic Development, put forth by the mayor in 1995 calls for enhancement of machine

tool trade, telecommunications, recycling, water-based manufacturing, and tourism. The city has recently elected a new mayor, who reportedly has a strong interest in inner city development, and revisions in the economic plan to reflect this interest are expected.

The city-wide family poverty rate in 1989 was 18 percent, up from 15 percent in 1979. Eight of Springfield's 17 neighborhoods had family poverty levels of over 25 percent, with the highest level being 53 percent. These neighborhoods form a rough L-shape running along part of the western boundary of the city and then east into the center-city. Many of these neighborhoods are primarily Hispanic or Black. The racial/Hispanic origin concentration of these neighborhoods ranges up to 81 percent Hispanic (Memorial Square) and up to 70 percent Black (Bay). Unemployment in all but one of these neighborhoods was 14 percent or higher. While overall educational attainment in these eight high-poverty neighborhoods was lower than the city average, one of them (Metro Center) had the second highest percentage of college degrees in the city.

The racial breakdown of these neighborhoods indicate that many of them are primarily Hispanic or Black. Memorial Square is 81 percent Hispanic, Metro Center is 30 percent Hispanic and 21 percent Black; Old Hill is 65 percent Black and 25 percent Hispanic; South End is 34 percent Hispanic and 19 percent Black; Six Corners is 34 percent Black and 34 percent Hispanic; Brightwood is 78 percent Hispanic; and Bay is 70 percent Black. In 1990, the unemployment rates for these neighborhoods were: Memorial Square (17 percent), Metro Center (8 percent), Old Hill (22 percent), South End (14 percent), Six Corners (14 percent), Brightwood (20 percent) and Bay (15 percent).

Seven neighborhoods are within the area designated by the state in May 1995 as an Enterprise Community for special consideration for state and local programs aimed at economic development. The Enterprise Community or "EC" designation is granted with a HUD initiative to support and encourage economic development. Typically, to be eligible for the \$5 million plus dollars in EC initiative funding, communities were required to submit grant requests to HUD for consideration. Within the EC, 18 percent of youths 16-19 are without a high school diploma, not in school, and without a job. Included in the EC plan are: education and skills training to promote job readiness for residents; long term efforts to develop an entrepreneur base in EC areas to replace an ownership class that has left; provision of special property, income and business tax incentives in EC neighborhoods to attract investment; development of the land along the Connecticut River; development of numerous scattered EC sites for reuse by business and industry; and consolidation of a range of public and private capital sources into a user friendly model for the benefit of EC entrepreneurs

Other inner-city development plans mentioned in various documents include maintaining the city's financial support of neighborhood CDCs for five years; continue support of micro-loan programs operated by a CDC and the Chamber of Commerce; coordinating social and economic investments in neighborhoods (such as building rehabilitation, affordable housing construction, and public infrastructure improvements) with local development strategies, and encouraging private sector residential and commercial investment in neighborhood through low-interest loans, tax incentives and

public works. Five hundred fifty-two minority firms in Springfield were counted in 1987, the last year for which city-based information about minority businesses is available (see Table 1 in Appendix B).

Participant Feedback

Participants in the Springfield forum emphasized the need to dialogue among those interested in and concerned with community and business development. It was generally acknowledged that Springfield government, and the private sector, should spearhead processes for sharing ideas and experiences related to the generation and expansion of small businesses in the economically-distressed neighborhoods of Springfield. It was recognized that the Mayor has played, and must continue to play, a critical role in encouraging such dialogue. In concert with this role is the need for a changed attitude on the part of money in the lending sector--and perhaps an aggressive chief executive of the City can prod these institutions in this direction.

A need for the dissemination of information about business opportunities, as well as technical assistance for individuals or organizations interested in starting business, was also a matter identified as particularly pressing in Springfield. The dissemination of information should be directed at community-based organizations, but also religious institutions.

As a result of the workshop, participants decided to investigate the possibility of forming an official information network about business opportunities, as well as a way to prioritize the significance of minority businesses for the overall economic well-being of Springfield. A coalition of minority businesses between the Black and Latino communities of Springfield might serve as a catalyst for more effective banking services, as well as to influence policymakers in this city, by being involved with policymaking arenas.

Participants decided to investigate a range of community banking and peer lending models for financing business investments and entrepreneurship and suggested by the Trotter Institute team. Thus the issues of better information, access to capital in a peer lending framework, in concert with an aggressive role of the Mayor, and a change of attitude on the part of the lending sector, are seen as ingredients necessary to formulating a strategic plan for community and business economic development that can help move Springfield forward economically.

Worcester

The Context

Worcester, the second largest city in New England, has historically been an important industrial town for the region. Capitalizing on its central location for rail transportation, Worcester was known for industrial innovation, and a diverse mix of industrial products. However, in a pattern familiar to many parts of Massachusetts, manufacturing employment has dropped precipitously. By 1993,

manufacturing was only 14 percent of total employment, while services were 35 percent, wholesale/retail trade represented 18 percent, and government 15 percent. In 1990 seven Worcester census tracts had family poverty rates above 20 percent. Among these were three tracts with rates above 30 percent. The most severe poverty rate (60.2 percent) was in a tract in the northeast section of Worcester. The remaining high poverty areas were located just south and east of the middle of the city. The racial composition of these varied from overwhelmingly (90 percent) white, to 70 percent Latino and Black. Unemployment in Worcester is currently substantially lower than it has been for several years. Official unemployment was 5 percent in February 1996, down from a 1991 peak of 10.4 percent.

In 1987, there were only 256 minority firms in this city. The largest five employers in Worcester are the University of Massachusetts Medical Center, the Medical Center of Central Massachusetts, Allmerica Financial, the Worcester Public Schools, and the Norton Company. Of the ten largest employers in the city, four are in the medical field, two are insurance/financial services, and the other two are the City of Worcester and the public schools. Among the areas of expected growth are biotechnology, health, and medical industries. Among the barriers to development are a large number of abandoned and contaminated industrial sites. Currently over \$500 million of new developments are in progress in the downtown area. Among these are a new convention center and railroad station, expansion of the fashion outlet mall, and a new medical center complex (Medical City). These projects are expected to generate 5,000 jobs, and additional jobs are expected to be created through small businesses that can serve these business anchors.

Worcester was recently designated as an Economic Target Area. This designation enables qualified businesses in the city or locating in the city to apply as a Certified Project through the Economic Assistance Coordinating Council. The incentives available to businesses under the State's Economic Development Incentive Program, Chapter 19, include an increase in the investment tax credit to five percent (as provided under M.G.L. c62 S:3BC10); property tax relief or a special property tax assessment schedule ranging from zero to one hundred percent of the taxes attributable to the increment in new revenue generated by the private investment and a corporate income tax deduction on those projects requiring renovation and reuse of an abandoned building.¹⁴

City plans for these areas include starting small businesses, creation of jobs, and developing vacant properties. Specific projects for distressed neighborhood include development of a 14-acre light industrial park in the South Worcester neighborhood, housing restoration and promotion of more owner-occupancy, and the Clark University-initiated University Park Neighborhood Revitalization Partnership. The last project is a multi-faceted initiative which received a \$2.4 million grant from HUD. The city also has a \$285,000 microloan program for small business start-up and expansion. In addition, the city is making substantial investments in improving the major roadways that lead into Worcester (the "Gateway" Program), and is investing in beautification of the downtown area (the "Streetscape" Program).

Participant Feedback

The greatest concern of the Worcester participants was whether the strengths and hopes associated with economic development would yield benefits to all sectors of the community. Participants see economic development planning as including concern about jobs and resources used directly for production, but also about the well-being of families, access to opportunities, safety, and adequate and affordable housing. The discussion indicated that economic development success is seen as occurring through enlightened and sustained effort by many different sectors of the city, with collaborative efforts needed among businesses, government, churches, community-based organizations, and other non-profit institutions.

Due to the large loss of manufacturing jobs in the Worcester area, participants highlighted the need for retraining opportunities. There was consensus that education and training needed to be examined to ensure that people are prepared for the economic future. Workshop participants stated that companies that can help to develop skills need to be identified, and plans need to be adopted that incorporate short-term and intermediate-term skill needs while working on longer-term educational issues.

At several points in the workshop, a consensus was expressed that the involvement of non-profit institutions is a key factor for economic development in Worcester, particularly for economically-distressed areas. There was agreement that certain community-based organizations are currently playing key roles in the area of small business expansion, including the Martin Luther King Empowerment Center and Centro Las Americas. Churches and other voluntary organizations are viewed as institutions with vital missions in rebuilding housing, but also in capital generation and other direct forms of economic participation. The voluntary organizations are seen as probably having an increasing role in this area because of budget constraints in the public sector, and limited interest in low profit activities by the private sector. A partnership led by Clark University to address housing, home ownership, safety, education, jobs, and other goals in the Main South neighborhood was also seen as an important effort by the non-profit sector.

There was consensus that city government cannot be expected to lead all efforts involving economic development and focusing on small businesses in the inner city. However, the city was seen as an important actor whose participation is essential for many efforts. Workshop participants believe that the city has both symbolic and active practical roles in fostering an enlightened self-interest that could also be racially and economically beneficial. Symbolically, a visible city role is seen as important for stimulating efforts in other spheres, since the voluntary sector and the business community will be more active if they believe that city government is committed to ensuring that all sectors of the city participate in economic development.

The city can utilize Tax Increment Financing ("TIF") granting authority to obtain promises from new employers that low-income city residents will be hired, and can actively enforce agreements with businesses that involve jobs for local residents, jobs for low- and moderate-income applicants, and other efforts targeted to alleviating poverty and stimulating economic activity in high poverty areas.

The city and state can also take measures to lower certain kinds of business costs in Worcester. In addition, given Worcester's past problems with contaminated sites, the city and state can ensure that property is environmentally safe.

The tasks of building linkages and insuring access were seen as essential if Worcester is going to ensure that opportunities are available for all groups in the city. Participants believed that minority group members, in particular, have been handicapped by lack of access to information and contacts. In addition, there was concern that the implications of demographic changes are not being linked to economic development planning. Workshop participants saw linkages and access as involving both representation within key organizations and inclusive representation at meetings among organizations. Participants were concerned about changing past economic development planning practices of limited participation in discussions and "back room deals".

Among the specific suggestions emerging from the workshop were new enforcement structures for local jobs for local people, support of the centralized job bank being set up by several CDCs, improved information flow through measures like a weekly column on economic development, innovative funding of a position to facilitate communication through business contributions (perhaps linked to tax incentives), increased use of tax incentives as job creation and economic stimulus tools, increased accountability of city agencies, increased access of microenterprises to loans, individual banking through a community loan fund, and creating a strategic planning coalition to meet bimonthly.

Lawrence

The Context

In 1987 there were only 188 minority-owned firms in this city. Lawrence's demography includes a growing Latino population which in 1990 represented 42 percent of the total city population. The poverty rate for Latinos was considerably above that for the rest of the city—comprising 73 percent of all families in poverty. In January 1996 the Lawrence unemployment rate was 9.4 percent. This is one of the highest unemployment rates in Massachusetts. In recent years, the Lawrence unemployment rate has ranged as high as 14.8 percent (1991). Historically, as in most urban areas in Massachusetts, the unemployment rates for Blacks and Latinos has been considerably above the citywide figure.

In 1993 Lawrence was designated as an Economic Target Area under the state's Economic Development Incentive Program. The city also asked for, and received, designation of the commercial and industrial heart of the city as an Economic Opportunity Area (a classification given by the state for areas of particular need and priority for economic development). In September 1995, the city proposed to expand the original EOA to include an area in the southeast section of the city.

Lawrence is also a Community Development Block Grant Entitlement Community (CDBG), and during the early 90s received \$2 million or more annually from HUD for community improvements and economic development projects. Among the projects financed with this money were physical improvements, economic development activities, public services and a small-business revolving loan fund. As of 1993 the revolving loan capital was \$330,000 and was fully committed. Its purpose was to provide loan assistance (of up to \$50,000) to new business already located in the city that are interested in expanding. Projects undertaken “must benefit persons of low and moderate income and/or aid in the prevention or elimination of slums and blight”. Similarly, with the awarding of the state ETA and EOA (Economic Opportunity Area) designations, the city of Lawrence’s economic development strategy has centered on providing and expediting access to commercial and industrial space availability to companies looking to locate through its Site Location Assistance Program, providing up to five thousand dollars in grants for facade improvements for businesses in the Essex Street, North Broadway, South Broadway, Union Street, and South Union Streets. The city’s Small Business Revolving Loan Fund, Section 108 (which provides large project financing at below market rates) and the Economic Opportunity Area Tax Incentive Program all earmark funds to support projects and activities that either principally benefit low- and moderate-income persons or aid neighborhood revitalization and stabilization. All of these programs are expected to leverage, “but not replace,” private sector financing.

Participant Feedback

Workshop participants in Lawrence agreed that there is a major need for increased attention to small businesses and especially to minority businesses. One of the major issues in the distribution of economic growth is how to promote more business for smaller firms with the larger companies. Although high tech and services firms in and around Lawrence appear to be solid economic anchors, workshop participants stated that generally there is a lack of connection between these growth engines of the economy and minority businesses. Participants stated that large companies are not looking to local and minority businesses as suppliers, contractors, or other partners in business relationships. It was agreed that Raytheon, Malden Mills, and local hospitals do some outreach to minority firms, but they are seen as exceptions. One workshop participant with long involvement in economic development issues stated that he did not know of one large business in the Lawrence area with a major contract with a minority firm. The problem of access to procurement contracts is also seen as an issue with city government. Many participants believed that the city does not buy locally despite its promises to do so.

The large Latino population in Lawrence was seen as influencing economic development issues in several ways that make the city’s economic dynamics and needs different from many other Massachusetts cities. According to workshop participants, many business owners are immigrants with relatively low education levels, because they did not have educational opportunities in the countries of their origin. This creates barriers to their participation in some fields that rely upon complex information technology. Because of this reality, according to workshop participants, education and training play important roles in economic development plans for the growing Latino

community in Lawrence. On the other hand, there are also third-generation Latinos in Lawrence who are very well-trained, and have the capability to develop existing family businesses and/or new businesses. However, according to workshop participants, barriers of information and exclusion exist which limit the opportunities to meaningfully invest in the local community. With local options constrained, participants stated, a great deal of money flows back to Latin America where opportunities for investment are more open.

According to workshop participants, potential entrepreneurs who come from poor backgrounds are challenged by lack of capital with which to start and develop their businesses. Although some resources exist, a better connection is needed between sources of capital and resources, on one hand, and people with ideas, on the other. A nonprofit group, Working Capital, has made over 500 loans to microenterprises, with a 99 percent repayment rate. However, participants stated that there is a need for additional financing and assistance to microenterprises. Among the possibilities suggested by the workshop participants were that larger businesses in the Lawrence community provide capital, bonding, mentoring, and other needs for businesses from high poverty areas.

Low revenues and profits among businesses in high poverty areas and minority businesses were also seen as a barrier to these businesses obtaining useful information, according to workshop participants. The amount of the dues for the Chamber of Commerce prevents many businesses from joining. In addition, according to the workshop participants, it is even difficult for businesses where the owner is the sole worker to attend a series of meetings, since to attend these meetings businesses would have to close, and lose money. Accordingly, business owners tend not to come to meetings unless there is an immediate and practical outcome.

Participants also stated that there is a need for an infrastructure in Lawrence that is designed to bring people together to help the overall community. Many organizations, participants stated, are pursuing organizational agendas without ideas of how their efforts could support, or be supported by, other organizations. Participants also felt that in general many of the agencies are doing a good job, but that public relations outreach could be improved, so that there is greater awareness of the types of assistance available, and where to access assistance.

The specific suggestions from the Lawrence workshop participants included improved information about the availability of technical assistance, and procurement possibilities from the city and private firms, targeted outreach by city and private sector, simplification of procurement procedures, use of proper procurement procedures by the city and private sector, greater access to capital with particular attention to loan sources willing to take a "second tier" claim on assets, restructuring of public transportation to make it easier for city residents to access employment at suburban firms, improved coordination and communication among all parties interested in economic development, and inclusive meetings to improve economic development strategies.

Lowell

The Context

Lowell represents one of the first planned industrial cities in the United States. Formed in the early 1800s to be the site of the first mechanized textile mill in America, the city continued to be strongly linked to the textile industry and indirectly to slavery throughout most of the 19th and 20th centuries. During the mid 20th century, the textile industries began moving to the southern US and overseas. Economic growth arrived in new forms in the 1980s when computer and plastics businesses (for example, Wang Laboratories) made Lowell their home. However, the recession of the late 1980s and early 1990s added to the economic problems stemming from the decline of the local textile industry, and the city has been seeking to rebuild its economy on new pillar. In 1987, there were 138 minority firms in Lowell.

Lowell's economy includes several computer firms, other high tech firms, environmental companies, two hospitals, two colleges, a growing cultural industry, and other businesses. Recent developments in the economy include the arrival of a major Nynex operation, the recent development of the Wannanlanict Mills building, and the continuing success of the annual Lowell Folk Festival (attended by over 200,000 people last year). There are over 20 development projects underway or planned for the near future, with a total estimated cost of over \$435 million. Among these are physical improvements to schools, beautification, infrastructure improvements, creation of new and/or expanded business spaces, housing, university expansion, and others.

Lowell has a relatively large Asian (11 percent) and Latino (10 percent) population. The Asian community has grown quickly. In 1990, it was nineteen times the size it was a decade earlier. The Cambodian community in Lowell, which comprises 56 percent of the Asian population and six percent of the total population, is the second largest Cambodian community in the US (and the largest outside California). The Laotian community is the second largest group of Asians in Lowell, representing 14 percent of the Asian population and approximately one percent of the total population. Lowell also has an immigration flow from Central and South America. The Black population is relatively small, comprising about two percent of the city; additionally, there is no census tract where the Black population is more than five percent of the total population.

Family-poverty rates for census tracts in Lowell range as high as 57 percent. The high poverty areas are located in the central part of the city. Of the neighborhoods with census tracts in the centralized cluster, the poorest is the Acre neighborhood (which also has one of the highest proportions of Latino and Asian residents). Other neighborhood represented in the poverty cluster are Central City, Lower Belvidere, parts of the Flats neighborhood, parts of Lower Highlands, and part of Centralville. In January 1996, official unemployment was 6.4 percent down from 11 percent in 1990.

Among the features that Lowell markets to prospective businesses are its proximity to metropolitan market in three states, the quality of education, the presence of cultural and historical institutions, and the public/private collaboration on charting the economic future of the city. Among the organizations

involved in economic development planning are the City of Lowell Division of Development and Planning, the nonprofit Lowell Plan, the Lowell Development and Finance Corporation, two CDCs and other organizations.

Participant Feedback

Participants attending the Lowell workshop overwhelmingly agreed that the demographic changes/shifts experienced by the city in this decade demand the creation of creative local education and economic development initiatives for increasing employment opportunities for residents. It was strongly suggested that the needs of the large and growing population of below minimum wage workers, displaced homemakers, uneducated and undereducated immigrant women with dependent children in Lowell were unmet and that public/private sector collaborative strategies to address the myriad of issues facing this population, though touted as one of Lowell's accomplishments, were not being seriously considered by local, state and federal officials.

Regional high tech layoffs, high unemployment, lack of government understanding of local issues and job training needs, the need for technical assistance to the non-profit sector serving immigrant populations, the threat to the elimination of Section 8 housing assistance, large pool of unskilled workers and a shrinking local job base were all seen by participants as persistent obstacles to economic and business development in Lowell. Most participants in the Lowell workshop felt that a critical component to the development of a cogent local/regional strategy must be the generation of small businesses and large area corporations committed to training *and* employing local people, and the expansion of opportunities for entrepreneurship. Participants largely agreed that the state must play both an affirmative and aggressive role in fostering and cementing relationships between large private sector employers and community based organizations.

Critical to the concerns of participants was the lack of communication between the private sector and the public and non-profit sectors in crafting culturally/linguistically relevant job training opportunities for needy residents with childcare support services. Absent these types of programs, most Asian and Latino residents will be unable to compete for the available manufacturing jobs or those positions requiring skilled labor. Specific participant suggestions centered around the provision of public and or governmental incentives to encourage private sector employment of city residents. Participants also indicated the need for an expanded role on the part of the University of Massachusetts/Lowell as a possible base for training and education, creation of a coordinating council to bring major stakeholders "to the table", target efforts for women-in-transition to work, provide youth enterprise initiatives at Middlesex or University of Massachusetts, develop affordable health care benefits packages for self-employed residents, expand the city of Lowell's Human Resource Data base, and commission a Small/Minority Business Director office which will provide resource and technical assistance information to prospective entrepreneurs.

New Bedford

The Context

New Bedford's economic character has historically been tied to its proximity to the ocean, and the skills of its residents in shipbuilding, fishing, and other maritime activities. In the mid-18th century, New Bedford was known worldwide for its whaling industry and was one of the richest cities in North America. In the late 1800s, capitalizing on slavery in the South, cotton trade from Southern states, New Bedford-based textile industries became among the largest producers of cotton cloth in the US. At the beginning of the 1900s, as the textile industry began to move South, the fishing industry grew. New Bedford is now among the nation's most prolific fishing ports, and fishing is the primary anchor of the local economy. The second major pillar of the economy is sewing-related manufacturing.

In 1991, manufacturing was 30 percent of total New Bedford employment, retail trade was 23 percent, and services were 23 percent. In 1987, the city contained 213 minority-owned firms. The largest five employers in New Bedford are St. Luke's Hospital, Polaroid, Acushnet Rubber Company, Cliftex Corporation (needlecraft), and American Flexible Conduit (cable manufacture). Among the top fifteen employers in the city, there are six sewing-related manufacturers, six manufacturers of other products, a hospital, a newspaper and a major bakery. In 1989, The New Bedford poverty rate was 16.8 percent, almost double the overall state poverty rate of 8.9 percent. While there were no census tracts with poverty rates above 40 percent in 1989, there were then tracts with rates above 20 percent. Unemployment has been consistently higher than the state average, and climbed from 12 percent in 1990 to 15.6 percent in 1994.

In 1992, New Bedford began a series of efforts to boost economic development. An "Agenda for Jobs" Committee was formed to discuss economic development needs. Members of this committee include the mayor, the City Council President, the Chair of the New Bedford Chamber of Commerce, the Chair of the New Bedford Industrial Foundation, the Chair of the CEO Club, and one representative each from the school system, the minority community, and the media. The city also has an Economic Development Task Force composed of key department heads in city government. In 1994, the New Bedford Corporation was founded to administer loan funds, provide technical assistance to businesses, contribute staff support (along with the Chamber of Commerce) to the Agenda for Jobs Committee, and to provide regulatory assistance to businesses interested in locating or expanding in New Bedford. In the year and a half since the New Bedford Corporation began its loan programs, it has made a total of 77 loans (as of April 2, 1996) with a total dollar value of \$3.9 million. The loans are made in four categories—fishing industry (30 loans received), Economic Development Corporation of New Bedford—Economic Development Administration (24), Community Economic Loan Fund (19), and Microenterprise (4).

Among specific economic development efforts, the city plans to establish commuter rail into Boston, expand cargo facilities at the port, dredge the harbor, extend the airport, and clean up and redevelop abandoned property. Economic development plans for the future have targeted tourism, international

trade, environmental technologies, and aircraft maintenance as potential areas of expansion. New Bedford has recently activated its previously obtained designation as a Foreign Trade Zone, which allows duty-free designation to New Bedford and its neighboring towns of Acushnet, Dartmouth, Fairhaven, Freetown and Rochester. There are eleven economic opportunity areas in New Bedford itself.

Participant Feedback

Participants at the New Bedford forum unanimously agreed that the current economic climate of their region seemed to preclude the development and/or attraction of large employers or businesses to New Bedford. Over 12,000 jobs have been “lost” in New Bedford over the past decade and the city has increasingly begun to look to small businesses development as the engine to drive economic development in the city. Participants also suggested that the future of New Bedford’s economic recovery would be to encourage dialogue and trade with West Africa as one of the targeted strategies for resolving local economic problems and stimulating economic growth.

Most participants echoed the sentiment that the city of New Bedford has had relative success in assisting some small businesses. But the city and private sector leadership must also strategize about how to sustain the economic viability of micro companies in the 2-6 employee range. A consensus among participants was that the city needed to develop strategies and or program initiatives that contributed to the growth and expansion of the type of business most frequently found in New Bedford—those with a minimum of 25 to a maximum of 50 employees.

All agreed that airport improvement, harbor expansion, commuter rail service creation, apparel industry “greenhousing” are all necessary to stimulate economic development in New Bedford. Participants felt that state investment in the physical infrastructure would encourage businesses requiring port facilities, for example, from moving to Boston or Rhode Island locations. There was also unanimity among participants in the presence of a “solid and dedicated workforce”, however, the city was at a competitive disadvantage in maintaining a job base for this workforce due to a aging and deteriorating infrastructure. However, unemployment insurance costs was cited as another obstacles to small business development. Participants acknowledged that some long standing businesses, particularly in the apparel/retail industry, had been forced to close due to spiralling unemployment insurance expenses.

Participants acknowledged that regulatory restrictions to protect fish have hit the New Bedford fishing industry particularly hard. The 100 million dollar plus annual revenues from the industry are “a thing of the past” and the Northeast Maritime Industry, National Fish and Wildlife Foundation, Wellspring House/MA are providing skills transfer training to fisherman in other maritime occupations. Participants suggested that the state needs to provide regional/locally sensitive assistance to the regional voc-tech system for retraining/training assistance to unemployed or displaced workers, generate opportunities for new businesses, develop strategies to enhance the capabilities of existing small businesses through mentoring programs and targeted technical

assistance seminars, loan funds and technical assistance grants to non profit organizations providing support to entrepreneurs.

Boston

The Context

Boston is the major political and economic center of both the Commonwealth and the region. A city of 574,283 persons according to the 1990 census, Boston has experienced a slight population increase since 1980, reversing a decline evident since 1950. This population change has seen an 8 percent decline in the white population, a 15 percent increase in the Black population, a 72 percent increase in the Latino population, and more than a 100 percent increase in the Asian population between 1980 and 1990. The non-white population composed nearly 40 percent of the City in 1990.

The poverty levels for the non-white population are considerably higher than for the white population in 1990. The percentage of non-white families in poverty in 1990 is considerably higher than for white families as is the percentage change in families in poverty between 1980 and 1990. The unemployment rate for Blacks, Latinos and Native Americans is 2-3 times that of whites in 1990, while the Asian unemployment rate is just a bit higher than the unemployment rate for whites and similar to the city-wide average unemployment rate. In 1987, there were 2,820 minority-owned businesses in Boston.

In a recent report issued by the city, over \$1 billion in development activity is taking place across the city and neighborhoods with projects ranging from new, major downtown construction and rehabilitation to small neighborhood development. Projected into the 21st century are plans for the redevelopment of the Boston Garden site, the Yard's End at the Charlestown Navy Yard and Park Square, aquaculture development in Boston Harbor, assisted living centers, redevelopment of the Allen and Porter Houses in the South End, the redevelopment of the Northern Avenue Bridge, and development of the old Boston State Hospital site in Mattapan among others. Other pipeline projects include the World Trade Center (\$112 million, 427 rooms), Custom House Tower (76 luxury units), Fidelity Rebars (1/2 million s.f.; \$35 million), 28 State Street (600,000 s.f.), 5 New University Buildings (totalling 878,400 s.f.) 12 neighborhood supermarkets (6 underway, 6 completed), over 1,000 units of market rate housing, Massachusetts General Hospital Proton Center (\$20 million), Lowell Square (183 units; \$30 million), and the Pilot Extension (73,600 s.f.; \$14 million) .

As an Empowerment Zone designated city and as part of its 1994 Strategic Plan for economic development, the City of Boston's assistance programs and initiatives must provide benefits to community residents and businesses which will make them competitive in the global economy. Downtown office development, industrial development, other large sector development projects, affordable housing development in the neighborhoods, retail development, hotel, tourism development, and institutional development must be linked and intersected with workforce development and the support of companies located in the city.

Participant Feedback

Participants generally agreed that for the Black and Latino population in Boston the creation of jobs should be a priority to address both high unemployment and poverty rates. Small business development can play a critical role in this regard. Several theories of hiring processes, including the “network,” “statistical discrimination,” and “signaling” models, suggest that employers are more likely to hire employees of their same racial or ethnic groups (i.e., Blacks tend to hire other Blacks, Whites tend to hire other Whites, Latinos tend to hire other Latinos, and Asians tend to hire other Asians).

Critical to the concerns of small businesses is the issue of access to capital--both debt and equity. There are several ongoing efforts that can be utilized to increase the capital available to small businesses based and operating in Black, Latino, and Asian communities. With the establishment of the Boston Empowerment Center at the former Digital Equipment Corporation site in Roxbury’s CrossTown Industrial Park, for instance, there is the possibility of utilizing the \$22 million of HUD dollars to generate small businesses. The SBA One-Stop Capital Shop is also located in the former Digital plant so there is potential for focused synergy between the SBA programs and the HUD activities to increase access to capital for these communities.

Another issue discussed was the potential of locating government agencies in inner cities. There are examples of this with the Registry of Motor Vehicles Building at Ruggles Center (Parcel 18) and the new Police Headquarters at Parcel 22 on Tremont Street in Roxbury. The former Digital plant is now a government office building. These types of investment do bring some value to the inner city. An even higher value is achievable if such investments lead to a revenue stream for inner-city and/or minority property owners. Of the three examples cited above, only the Registry of Motor Vehicles Building has such potential.

There is some concern that community groups have prejudicial attitudes toward entrepreneurship. There has been evidence of tension between for-profit and non-profit housing developers in Roxbury. It is important for the for-profit and non-profit sectors to find a common ground whereby they each can operate profitably both in their own interests and in the interests of the broader community.

The role of the Black churches as economic entities was also discussed. Nationally, one participant observed, it is estimated that each Monday Black churches deposit \$10 billion in banks around the country. A similar economic analysis is needed with the Black church community in Boston in order to begin developing a strategic plan for those dollars in relation to community economic and business development. Similarly, it may be useful to determine the bank deposit strength of the inner-city’s array of non-profit agencies and CDCs. In this way a deposit profile for churches, agencies, CDCs, and even small businesses can be compiled in combination with the multi-billion dollar spending power of the inner-city in order to better formulate a strategic plan for economic revitalization for these communities.

It was recognized that doing business in poorer communities is more costly; this issue was highlighted in the previously-cited report, *Choosing to Compete*. . . .¹⁵ An important question facing Boston and

other cities interested in generating and expanding minority-owned businesses is how to reduce costs and enhance profitability in predominantly poor, and working-class neighborhoods.

Another approach to reducing costs is the “cluster” approach where small businesses join together to produce economies of scale in certain areas such as overhead and renting space, or sharing customers. These interrelationships enhance business profitability by sharing overhead costs and information related to collaborative possibilities. Clustering can be based on similar needs of various kinds of businesses, or on similar businesses. The underlying notion, however, is that the cost of starting and operating businesses can be reduced through collaborative arrangements.

Finally, participants suggested strongly that it is important to look at the education and training needs of Boston’s inner-city neighborhoods. Strategies to develop small businesses and microenterprises are incomplete without including attention to this matter. This position is similar to that of the National Alliance of Business which identifies this area as one key component for economically healthier communities.¹⁶ Preparing youth, not just to become good workers, but also creative entrepreneurs, is a necessary ingredient in the economic vitalization of inner cities according to this organization. Community agencies and community development corporations can play an effective role regarding this issue. Linkages between these two sectors are critical for the success and effectiveness of education and training efforts.

CONCLUSION

Participants were encouraged to make broad recommendations aimed at improving opportunities for small businesses in Black, Latino, and Asian communities, and linking this sector to economic development planning at the city and regional levels. This section includes the recommendations made by the participants in the six cities selected for this project.

****There is a need for broader understanding and appreciation of the importance of minority businesses in Massachusetts***

Although there is a growing sense that businesses can play a critical role in alleviating a range of problems in economically-distressed neighborhoods, there are not enough opportunities for a broad range of actors to strategize about this in a focused way. A major concern heard in all the cities is that forums, such as the one sponsored by this Project, are too infrequent, politicized, and not institutionalized in arenas responsible for policy discussions. Furthermore, many of the forums that are held are dominated by academic players who do not have direct experiences with minority business enterprises, or community-based organizations. Representatives of the private sector, as well as government and community organizations, can advance a foundation for the expansion of small businesses and microenterprises, as well as enhance the capacities of this sector by developing linkages to broader economic development strategies and programs. Several participants suggested that the Chamber of Commerce should play a leading role regarding this issue. However, participants also suggested that the Chambers have not sought to reach out aggressively to the minority business sector as a partner, except on an occasional basis of inviting one or two minority members.

****Local and state governments should seek to locate public agencies in economically-distressed communities***

Participants in Boston, Springfield, and Lawrence, in particular, believe that economic development can be encouraged by locating government agencies in economically-distressed communities. Part of this response would include utilizing local and state capital budgets as a tool for directing public investments in ways that enhance the economies of distressed areas. Such an approach does not require new public dollars, but rather a better targeting of such dollars in ways that directly benefit all sectors in the economy.

Participants felt that this kind of response has two immediate benefits. First, this can represent a significant symbolic message to the corporate sector and other communities. It shows that government is committed to the improvement of living conditions in all communities. Secondly, such locational strategies can generate economic activity through services, or even construction or

rehabilitation of new agency sites. Participants did note, however, that locating certain kinds of agencies may have a longer and more sustained impact on economic activities in some communities. While some agencies, such as a police station, may have a relatively quick, but short-lived impact, other kinds of agencies may have a longer impact due to the kinds of services it offers, as well as to the type of employees it requires to operate the agency.

****Strategies and programs for expanding small businesses and microenterprises in economically-distressed communities must include attention to ways of keeping capital in these places***

Participants strongly agreed that mechanisms for keeping capital in Black and Latino communities for a period of time represents a necessary component of strategies of economic development in these places. Participants generally believe that strategies for the generation of small businesses and microenterprises should be based on the recycling of wealth in communities of color. Strategies must ensure that wealth and income are kept in communities experiencing economic distress. Initiatives to increase the 'multiplier effect,' in terms of wealth and income, in other words, should be pursued. It is not effective to generate small businesses and microenterprises without also developing mechanisms to keep newly-created wealth in distressed communities. This should be the case with public dollars, as well. The impact of public dollars as a way of facilitating the capacity of small businesses is enhanced the longer these dollars stay in communities. Participants tended to dismiss the idea that inner cities could be developed economically and socially over the long run, by allowing 'outside' businesses to realize profits, and then invest in other places. Community-based businesses, but other approaches as well, could help to ensure that capital and wealth that is generated is used in a community for yet additional economic activities.

****The focus of economic development in inner cities should be the generation and retention of jobs***

Participants in the six cities believe that while generation of jobs is not the only goal of economic development in the inner cities, it is certainly a most critical one. Participants suggested that strategies should be built not only on attracting jobs, but perhaps more importantly, retaining jobs. Many places in the Commonwealth have experienced major job loss, especially in the manufacturing sector. The loss of manufacturing jobs, however, is coupled with an increase in manufacturing productivity. This suggests that some loss is due to automation, rather than simply job flight. Additionally, some participants pointed out that since the national economy is in a period of transformation and downsizing, it may not be possible to develop plans to attract a great number of jobs to certain places, thus, the retention of jobs becomes especially crucial.

****Minority-owned businesses in inner cities should be linked with big businesses in the form of multi-level sub-contracts for services and products, and purchasing arrangements***

Participants, especially many of the entrepreneurs based in Black and Latino communities, feel that there are not enough linkages between their businesses and other larger businesses. The latter can play an important role by working closely and contracting services to businesses in target communities. In some cases, the larger businesses obtain an immediate return based on this kind of 'investment' because the targeted communities become economically healthier. This represents, in other words, a 'trickle-up' effect that benefits bigger businesses.

Linkages between Black, Latino, and Asian-owned businesses and other economic actors provide an 'export platform' for many of these enterprises to move beyond the neighborhood economy and penetrate the larger market. These linkages, depending on specific arrangements, can possibly facilitate minority-owned businesses to assemble or tap skilled labor, develop economies of scale for greater efficiency, and increase access to capital. Government, both state and local, can stimulate these partnerships between minority and non-minority-owned enterprises. Linkages allow majority partners to undertake a specific project in exchange for some favorable outcome in terms of the well-being of small businesses and microenterprises in inner cities.

****Training programs and resources are important for enhancing the quality of the labor force, but also encouraging entrepreneurship, especially among youth***

Participants in all cities commented that training opportunities are necessary components for economic development in the inner cities. Training should be aimed at improving the quality of the workforce, but also teaching entrepreneurial skills. Additionally, targeting and matching of training programs with the immediate needs of the business community is important. Several suggestions were made regarding this issue: establishing agreements with companies receiving public funding or benefits regarding the interviewing and hiring of applicants from targeted communities; sponsoring regular meetings between officials and citizens involved with economic development activities and training personnel, and focusing on job opportunities in new, or expanding firms; and, developing marketing programs to sell employment and training opportunities to companies seeking to pursue business opportunities in economically-distressed communities.

In relation to pursuing strategies for expanding small businesses in economically-distressed areas, the role of employment training, particularly managerial and technical training is essential in developing an entrepreneurial critical mass. It is acknowledged in some literature that much of the nation's entrepreneurial energy emerges from its small businesses. Entrepreneurial energies can result from linking employment and skill training to small business development. Training connected to the needs of small businesses, particularly those at the cutting edge of technology, is most effective in creating new business enterprises and job opportunities through the start-up of ventures aimed at meeting the demand for new products and services.

****The availability and expansion of equity funding is critical for the generation and expansion of small businesses and microenterprises in inner cities***

The need for equity funding was identified as a very important component of strategies for generating and expanding small businesses in inner cities. This is the case because many of the most widely used sources of capital for business formation are not as available to potential inner city (and particularly, Black) business start-ups. For example, capital generation through home equity is often not available to inner-city residents, in part, because discrimination in housing and mortgage markets have contributed to relatively low rates of homeownership.¹⁷ Similarly, investment by family and friends, another prime source of capital for many businesses, may not be available in some communities if patterns of poverty and racism isolate potential business owners from social access to individuals with surplus income and wealth. While historically there has been much concern about the availability of business loans from banks, many workshop participants believe that the major financial barrier to business formation now is lack of access to equity. Currently, most existing financial initiatives designed to promote emerging business enterprises focus on high growth industries. Other programs are designed to shore up existing sectors such as manufacturing, which is specific to certain communities or locations. In very few instances do current initiatives adequately represent strategic responses for expanding small businesses in Black, Latino, and Asian communities experiencing economic distress.

Participants suggested several ways in which equity funding can be made available for this sector. Their suggestions included establishing a high risk lending pool that could include seed funding from the state, annual fees from corporate sponsors, annual fees from participating cities and towns, non-profit sector support such as churches and foundations, and contributions from community-based businesses in return for services related to technical assistance.

****The impact of minority-owned businesses in the economic development of inner cities, as well as contributions to the overall economy, should be documented and disseminated widely***

Several times participants and facilitators raised issues related to the possibility of measuring the impact, or assessing the strengths of various strategies proposed for economic development and the generation of inner city businesses. Several indicators for measuring the health of city economies were listed in the report, *Choosing to Compete*. . . . These included the following indicators: unemployment rate, per capita income, percent of the population below the poverty line, percent of children below poverty line, percent high school graduates or higher, and percent bachelor's degree or higher.¹⁸ Generally, the workshop discussions in each of the cities confirmed in various ways that these particular indicators are important for understanding how well the economy is performing in particular periods.

It seems feasible to the research team that at least one other tool for evaluation of strategies and initiatives in this area are performance indicators utilized by the Federal Reserve Bank of Boston. The *New England Economic Indicators* is published monthly, and suggests the degree of economic

health of the region.¹⁹ Some of these indicators could be used to assess the impact of programs and policies at local levels. For example, local data regarding total employment and unemployment by sector, retail sales, construction contracts, housing sales, new business incorporations, total personal income, help wanted advertising, and size of civilian labor force, are performance indicators that could also be used to measure the impact of strategies aimed at enhancing the economic development of inner city areas. This kind of data could be measured in terms of comparisons with figures for the New England region, as well as the increase or decrease in the distribution of proportions of these indicators. Although such use of performance indicators would only be suggestive, they might serve to clarify and identify more relevant and useful locally-based measures for evaluating strategies and programs.

There is also a need to document and analyze the social impact that minority businesses are having in predominantly Black and Latino communities. This kind of information is crucial to showing other sectors the significant role performed by minority businesses. Unfortunately, the U.S. Bureau of the Census is not adequate for this kind of investigation. A survey instrument should be developed in order to measure these kinds of impacts. The Massachusetts Housing Finance Agency has commissioned the Trotter Institute to develop such a survey to examine the effects of the MHFA/HUD Demonstration Disposition Program's initiatives related to minority businesses in Boston. The completed survey may serve as a model to measure the impact of small businesses and microenterprises in other cities, as well.

Finally, it must be reemphasized that Massachusetts is undergoing a period of demographic transition which has significant implications for economic development activities for all people. By the year 2010, 30 percent of the state population will be Black, Latino, or Asian according to some projectives. This demographic transformation requires not only attention to the distribution of opportunities to start businesses, but also attention to other particular economic dynamics that may enhance or hinder economic development. Among the economic issues discussed by workshop participants that are linked to increasing diversity are: the particular income flow dynamics of segregated neighborhoods, the capital flow dynamics of first through third generation populations with family ties to other countries, the impact of language barriers on productivity and opportunity, the need to address "human capital" limitations resulting from some immigrants' limited educational opportunities in their countries of origin, the particular ways in which racism has shaped critical flows of information, the need to change and/or prevent purposeful and coincidental patterns of exclusion from economic planning, the economic significance of skills and traditions introduced by new populations, the emergence of new constellations of consumer preferences, and the possibility of new market opportunities arising from national and international networks. The willingness and ability of cities to incorporate such factors into their planning may be a significant element in determining which ones succeed in building healthy economies, and which fail.

Endnotes

1. See James Jennings, *Memorandum to Massachusetts MBE Oversight Committee*, April 1995.
2. *Choosing to Compete: A Statewide Strategy for Job Creation and Economic Growth* (Massachusetts Executive Office of Economic Affairs: Boston, MA, 1994).
3. See the following reports published by The William Monroe Trotter Institute at the University of Massachusetts Boston: James Jennings, *Black Businesses in Massachusetts: Status and Challenges*; Occasional Paper No. 28 (1994); James Jennings and Sarah Ciriello, *An Overview of the Population and Economy of Massachusetts, 1990* (1992); James Jennings and Suzanne Baker, *Blacks, Latinos, and Asians in Massachusetts: A Statistical Socio-Demographic Profile, 1990, Part One* (1992); James Jennings, Suzanne Baker, Russell Williams, Juan Evereteze, and Charmeen Napier, *Demographic and Economic Analysis Report: Disparity Study Project for the Executive Office of Transportation and Construction, The Commonwealth of Massachusetts* (1993); Rubina Vohra and Suzanne M. Baker, *A Demographic, Social, and Economic Overview of the Mattapan Neighborhood of Boston, Massachusetts, 1980-1990* (1994); Russell Williams and Sue Kim, *An Overview of Minority-Owned Businesses in the Boston Metropolitan Area, 1987* (1995); and, Russell Williams with Suzanne M. Baker, Juan Evereteze, and James Jennings, *An Overview of Minority-Owned Businesses in Massachusetts* (1993).
4. *Rebuilding Inner City Communities: A New Approach to the Nation's Urban Crisis* (Committee for Economic Development: New York, 1995).
5. *Access to Jobs, Access to Business Development*, The Massachusetts African-American Advisory Committee: A Report to the Governor of Massachusetts, December 1995.
6. James Jennings, Russell Williams, Sue Baker, *Demographic and Economic Analysis Report: Disparity Study Project*, prepared for the Executive Office of Transportation and Construction, The Commonwealth of Massachusetts (The William Monroe Trotter Institute: Boston, MA, 1993).
7. Russell Williams, Sue Kim, Juan Evereteze, and James Jennings, *An Overview of Minority-Owned Businesses in Massachusetts* (The William Monroe Trotter Institute: Boston, MA, 1993).
8. *The Challenge for the Community, Corporations, and Government*, Fourth National Urban Economic Summit Report (Organization for a New Equality: Boston, MA, 1996); also see John Betancur and Joan Fitzgerald, *Labor Force Characteristics and Employment Opportunities in the Suburbs of Dixmoor, Ford Heights, Harvey, Phoenix, and Robbins*, (Center for Urban Economic Development: Chicago, IL, 1993).
9. Lois E. Athey, *Community Economic Development in Puerto Rican Neighborhoods* (National Puerto Rican Coalition, Inc.: Washington, D.C. , 1991), pp. 19-40.
10. Lenneal J. Henderson, "The African-American Urban Milieu and Economic Development," *Trotter Review*, vol. 8, no. 1, Spring/Summer 1994.
11. Letter to Governor William F. Weld, February 28, 1996 signed by representatives of the Massachusetts Black Legislative Caucus, Asian American Advisory Commission, African American Advisory Commission, Hispanic American Advisory Commission, Advisory Commission on Women's Issues, and the Massachusetts MBE Oversight Committee.

12. Timothy Bates, "Small Business Viability in the Urban Ghetto" *Journal of Regional Science*, vol. 29, no. 4, (1989), p. 626; also see, Robert S. Browne, "Cash Flows in a Ghetto Economy: An Introductory Essay" *The Review of Black Political Economy*, vol. 1, no. 3, (Winter/Spring 1971), pp. 28-39.
13. *Springfield, Massachusetts Accepts the Enterprise Community Challenge* (Community Development Office: Springfield, MA, 1995).
14. See *The Economic Development Increase Program* (City Manager's Office, Planning and Community Development: Worcester, MA, 1994), p. 1.
15. See *Choosing to Compete: A Statewide Strategy for Job Creation and Economic Growth* (Massachusetts Executive Office of Economic Affairs: Boston, MA, 1994).
16. "Employing Human Capital to Achieve Priority Economic Development Objectives," in *National Alliance for Business in Economic Studies of the Economic Development Administration: An Annotated Bibliography, 1986-1994* (Economic Development Administration, U.S. Department of Commerce: Washington, D.C., 1994).
17. This was the conclusion in a report produced by Alicia Munnell, Lynn Browne, James McEneaney, and Geoffrey Tootell, *Mortgage Lending in Boston: Interpreting HMDA Data*, Working Paper 92, No. 7 (Federal Reserve Bank of Boston: Boston, MA, 1992).
18. *Choosing to Compete: A Statewide Strategy for Job Creation and Economic Growth* (Massachusetts Executive Office of Economic Affairs: Boston, MA, 1994), p. 72, and Figure 7A.
19. *New England Economic Indicators* (Federal Reserve Bank of Boston: Boston, MA, 1996).

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