

Small Business and Entrepreneurship during an Economic Recovery
Chairman Ben S. Bernanke
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(Applause.)

CHAIRMAN BERNANKE: Thank you, Sandy and thank you for your tireless efforts in this area.

Good morning. Welcome again to the Federal Reserve Board and today's conference, "Small Business and Entrepreneurship during an Economic Recovery".

As Sandy mentioned our cosponsors are the Federal Reserve Bank of Atlanta and I see President Lockhart here in the front row and the Ewing Marion Kauffman Foundation and we appreciate their support and cooperation.

This is a very eclectic meeting bringing together small business owners, lenders, technical assistance providers, government officials and members of the academic community to explore the challenges faced by today's entrepreneurs and to identify some promising approaches to help them in their efforts.

Events such as this one are particularly valuable because they allow us to draw on a broad range of experience and evidence. We are keenly interested in hearing your insights as Sandy said. And we take careful records and think very hard about what we hear.

And we look forward to sharing results from the Federal Reserve's continued small business outreach and research efforts.

Some of you may have attended a forum here last year that focused on credit access for small business. We hope to advance that discussion today by exploring not only the financing needs of credit worthy small businesses, but also the roles that small businesses play in creating jobs during difficult economic times.

We are also going to discuss the unique challenges facing women and minority owned firms. We hope to be as concrete and practical as possible. For example, several conference papers assess the extent to which training, technical assistance and other resources are available to support these and other small firms.

The ultimate goal of this meeting is to learn more about how best to support both small businesses and their communities to understand what works and what doesn't.

It is no secret that the past few years have been very difficult for many small firms. They faced weak sales, diminished asset values, elevated uncertainty and tight credit market conditions. Many small business owners had to lay off employees or defer hiring. And many potential entrepreneurs with plans to start new businesses have had to put those plans on hold.

The role of small businesses and entrepreneurship in job creation will be discussed in our first panel today. As many of you are aware, small businesses have played an important role in fueling past economic recoveries.

We need to think carefully about how in the current economic environment our nation can best provide small businesses and entrepreneurs with the support that they need to expand job opportunities.

Small businesses also help our country compete globally. They often offer a level of agility in bringing innovative products to the global marketplace that larger firms cannot match.

At home many entrepreneurs do more than provide important goods and services. They and their businesses help sustain the vitality of neighborhoods in which they live and work. Frequently small business owners demonstrate

their commitment to the communities by serving in leadership positions in local schools, volunteering for local nonprofit organizations and engaging in civic affairs.

For many people starting a small business is an opportunity to follow one's particular dream. We should recognize it can also be an important option for people confronting economic challenges in their lives such as insufficient retirement savings. A study conducted by the Kauffman Foundation suggested both baby boomers and the older generation are increasingly turning to entrepreneurial activities. Tomorrow's discussion will pay special attention to how these and other new entrepreneurs are adjusting to the changing landscape of financial services.

The Federal Reserve System is committed to supporting small businesses and entrepreneurship. We do that for example, through research that adds to our stock of knowledge about the catalysts for and barriers to entrepreneurship and through outreach programs to help small business owners and other community stakeholders access a range of financing and technical assistance. For instance, in a recent forum sponsored by the Federal Reserve System and held in Jacksonville Florida, both small business owners and their lenders stressed that it takes more than an enterprising spirit to succeed. Entrepreneurs also must seek appropriate training and resources. Forum participants emphasized the need to support organizations that offer valuable technical assistance and training programs including state and regional economic development offices, small business development centers, community colleges, technical schools, and rural cooperative extension offices.

Similar forums in Chicago, Atlanta, and Denver conducted by the Federal Reserve in coordination with the Opportunity for Finance Network, a national trade association for CDFIs, highlighted examples of banks working closely with community development loan funds and other CDFIs to streamline client referral processes to match small businesses with appropriate lenders. Our regional meetings also focused on providing capital and support services to minority owned small businesses.

Through research and analytical efforts we are working to deepen our understanding of the credit market conditions that face small and new businesses, particularly the frictions that impede the flow of credit to credit worthy borrowers.

In addition some of our community development offices conducted regional surveys to obtain a better understanding of the characteristics and financing needs of small business owners in their areas. You will be hearing more about those findings during the second panel today.

The Federal Reserve also continues to encourage bank examiners to adopt a balanced approach to reviewing banks' lending to small businesses. We hold training sessions for examiners and extend outreach to lenders to promote awareness about the credit environment and available lending guidance and resources. We would like to foster an environment in which lenders do all that they can to meet the needs of credit worthy borrowers while maintaining appropriately prudent underwriting standards.

So the issues you will be discussing today and tomorrow are critical to everyone with an interest in the success of our nation's small firms and entrepreneurs and by extension of our economy as a whole.

Based on the wide variety of perspectives we will have in today's conference I feel sure you won't agree on the answers to all the questions that are going to be raised but the dialogue itself is of great value. We at the Federal Reserve found that conferences such as this one help us to more effectively conduct our research, our outreach and our analytical work. We hope that each of you will find this experience worthwhile as well.

Thank you very much in advance for sharing your insights about the challenges for small businesses and I look forward to seeing the results of your work. Again, welcome to the Federal Reserve. I hope you have a terrific day and I couldn't imagine a more important topic that you are going to be trying to shed some light on today.

Thank you very much.