

**WELCOMING REMARKS**  
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**To the National Council for Urban Economic Development**  
**Conference on Alternative Approaches to Financing Business Development**  
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Good morning! I have been given the pleasant task of welcoming all of you to Atlanta for this conference on alternative approaches to financing business development. Atlanta is a good place for you to gather to discuss this topic, since business development has become something of a byword for our city. In the past several decades, we have experienced a remarkable rate of growth here. In part, that growth has resulted from building upon the natural advantages of climate and geography the area enjoys. In greater measure, however, Atlanta's expansion has sprung from the willingness of the public and private sectors in our community to work together to invest in the future. Developing projects ranging from a world-class airport to a host of small businesses that offer innovative products and support services helped to provide the core from which other forms of economic activity could develop.

Small businesses--one of the focal points of this conference--play an important role in economic and business development. They have been a powerful engine for economic growth and job creation in recent years--not just in Atlanta but nationwide. As we look ahead, the economic climate for small business appears auspicious. The effect of the lower dollar on foreign exchange markets is finally being felt. We are seeing a resurgence in manufacturing that will provide new opportunities in the months ahead. We can expect entrepreneurs to benefit from exploring newly opened niches--whether in making or distributing new products. At the same time, established firms will seek to add plant and machinery as demands for products and services increases.

Events also augur well for financing business development. It is true that banks and other firms offering financial services are themselves in a rapidly changing

environment. Among these changes are the consolidations that have resulted from the relaxation of interstate banking restrictions, broader product latitude growing out of the deregulation movement, and new market entrants from foreign countries. However, several major channels of funding are enhanced by the effect of these changes. As banks merge, successful credit programs obtained from experience in one financial market are made available in other markets as well. Deregulation also fosters the growth of new financial products and a variety of novel instruments have proliferated among banks as well as nonbanking firms. Another encouraging sign is the ongoing creation of new banks, a phenomenon we have seen in many southeastern cities. Often these banks are particularly attuned to serving the needs of small business market. Finally, the globalization of financial markets has brought new players to the field. Foreign bankers and investors can be counted upon to draw on their own experiences and bring different ways of viewing business development to bear on our domestic market. Taken together, these changes inside and outside of banking mean that businesses should have progressively more access to capital if they know where to look for it.

While the basic economic and financing outlook looks bright, there remains a strong need for bringing businesses together with sources of capital, and that is one of the main purposes of this conference. Clearly, businesses themselves must play the lead role. To tap into and sustain financing sources, they must develop appropriate business plans and continuously enhance their productivity. At the same time, there is a role for federal, state, and local governments. One way they can help is by nurturing promising enterprises to the point where they are more attractive to potential financiers. The public sector can encourage the development of small business directly by supporting programs like incubators and technical assistance efforts. Georgia's own Advanced Technology Development Center is an excellent example of how the public-private partnership can contribute to new business formation through providing low-cost office space, clerical support, and other necessities. In the main, however, government can do

the most by not discouraging new businesses. We need to continue diminishing regulation until we reach the absolute minimum necessary to be sure we satisfy the public's concern with safety. Otherwise, every effort should be made to promote the kind of free market competition that has made our system strong and self-sustaining. By all means, we must not defeat the goal of competition by indulging in protectionism. Instead, we must insist that markets around the world be made ever more open so that all businesses will have a fair chance to sell their products.

At the Federal Reserve Bank of Atlanta our role in encouraging business development is twofold. First, through our rigorous bank supervision function, we try to ensure the financial strength of commercial banks in the Southeast. This is really our traditional duty with respect to banks. We certainly shall remain vigilant to help maintain their readiness to meet the needs of all their customers, be they businesses or individuals. A second way we can help is by passing on ideas about banking developments. Our oversight of banking in this six-state region and our familiarity with banking throughout the nation make us a good source for up-to-the-minute information in the industry. We make information on innovative business lending programs available to banks through our community affairs program. They in turn can then consider extending similar services to their customers.

I do not want to make it sound as if I expect money suddenly to begin flowing in great torrents to small businesses. Nor do I want you to think I believe running a small business is going to become an easy proposition. None of you here need to be reminded of the risks involved in entrepreneurship. Some sixty thousand businesses failed in this country last year--most of them in their first year of operation. Still, the mortality rate doesn't seem to dampen the American entrepreneurial spirit. I think our attitude should not be concern over the difficulty of achieving success. Rather, our optimism should be bolstered precisely because so many remain willing to undertake risk.

At a time when the service sector is continuing its steady advance and

manufacturing is on the rebound, I believe the economic environment for small business development is fertile. Deregulation of the financial services industry should augment these positive economic developments. In that context, perhaps the best way of nurturing small business success is to improve communication between sources and users of developmental financing. I think we have an excellent line-up of business and economic development experts here to do just that for you in the next three days. Without further ado I would like to turn the program over to them. Once again, welcome on behalf of the co-sponsors of this conference. I am optimistic that you will all profit from your time together.