

News & Views

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Community Development Investment Process Streamlined

An investment by the Rushville State Bank will help the River Valley Community Development Corporation in Rushville, Illinois, continue its program to promote economic development and create and retain jobs throughout Cass, Brown, and Schuyler counties.

Rushville State Bank is the first Seventh Federal Reserve District member to take advantage of the ability of state member banks to make certain public welfare investments without specific approval by the Board of Governors of the Federal Reserve System.

The Board amended Regulation H to identify classes of public welfare investments that do not require prior regulatory approval. Banks can invest in a corporation, limited partnership, or other entity that engages solely in or makes loans solely for the purpose of one or more of the following:

- Investing in, developing, rehabilitating, managing, selling or renting residential property if a majority of the units will be occupied by low- and moderate-income persons;
- Investing in, developing, rehabilitating, managing, selling, or renting nonresidential real property or other assets located in a low- or moderate-income area and targeted towards low- and moderate-income persons;
- Investing in one or more small businesses located in a low- or moderate-income area to stimulate economic development;
- Investing in, developing, or otherwise assisting job training or placement facilities or programs that will be targeted towards low- and moderate-income persons;
- Investing in an organization located in a low- or moderate-income area if that entity creates long-term employment opportunities, a majority of which will be held by low- and moderate income persons; and

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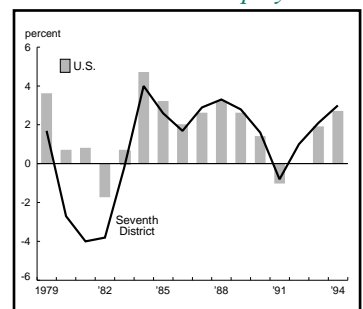
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Women in Business

Successful microenterprise development includes hands on lending, support services, and training



The Women's Self-Employment Project (WSEP) in Chicago not only makes loans to women entrepreneurs, it provides them with support services and training on how to make their business succeed. For nine years WSEP has been teaching women business fundamentals using real situations.

WSEP was started in 1986 by three dedicated women whose primary objective was to help low-income women out of poverty through self employment. The concept is based on a successful program of micro-lending to very poor women by the Grameen Bank in Bangladesh, a small underdeveloped country on the subcontinent of India. The Grameen Bank concept is that small business loans to women can result in long-term economic improvement

in the lives of these women and their families.

Using the Grameen model, WSEP makes small, high-risk micro-loans to low-income women using a variety of government and private funding sources. According to WSEP's data, the average loan size is \$2,000; they have made approximately \$1,000,000 in loans to over 500 women since 1987. Even though their risk level is high, their overall rate of repayment is 93 percent. Their clients are mainly single mothers from some of Chicago's low income neighborhoods. Over 75 percent of the women who enter WSEP's programs have annual incomes below \$15,000. "Our data show that 30 percent of our clients are on welfare," says Connie Evans, President of WSEP.

The services and training are as important for the success of the women entrepreneurs as are the loans. "Some things can't be taught in the classroom," Evans says. This approach is the motivation behind WSEP's "marketing projects," designed to give clients first-hand experience

with business. "Our organization is typically in a position to provide access to marketing resources an individual woman may not get. Our approach is hands-on. We teach them how to display their products, how to price them, how to negotiate, and how to deal with customers. I think those skills are best taught by letting our clients do it. With each experience, their skill and confidence grows."

With little capital, WSEP's clients cannot do the type of sophisticated marketing often required for a business. They don't have the money to experiment on their own with marketing ideas that may not work. In many cases clients also simply do not have the access and exposure to market their products.

WSEP helps arrange for showrooms and exhibition space and provides experienced professionals to work with their clients.

WSEP also makes arrangements with local Chicago banks to provide their clients with free checking and other basic banking services. "This goes back to our hands-on approach. We establish these banking arrangements to help our clients who in many instances have never had any kind of banking relationship," says Evans.

"Most of our private funding comes from foundations. But we would like more support from the banking community in our loan funds, especially since support of WSEP qualifies under CRA," says Evans. Currently,

WSEP's 1993 statistics show the success of their hands-on approach:

- 85% of all their businesses are still operating
- 65% report the net worth of their business has increased
- 74% had an increase in business assets

These business successes have translated into personal financial achievements for clients:

- 59% reported increases in household net worth
- 62% reported increases in household spending per month
- 53% reported increases in household assets
- 34% reported increases in household savings

WSEP receives grants for its operating support from the foundation arms of the Harris, Northern Trust and First National Bank.

By providing necessary funds to its clients as well as teaching the complex skills of entrepreneurship, WSEP helps to instill the personal confidence that increases the likelihood for success. ■

Communications

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Economic Development News & Views welcomes story ideas, suggestions, and letters from subscribers, lenders, community organizations, and economic development professionals. If you wish to subscribe or to submit comments, call (312) 322-8232 or write to: *Economic Development News & Views*, Federal Reserve Bank of Chicago, Community Affairs Section, 230 S. LaSalle Street, Chicago, Illinois 60604-1413.

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WSEP opened a showroom for their clients to exhibit their products in the Midwest Giftware Market held in Chicago last February. Buyers from all over the country came to the Market to purchase gift items for resale in their stores.

WSEP and a consultant selected clients with the best commercial potential to participate. For most,

this was their first direct exposure to the wholesale giftware market.

The consultant managed the showroom for WSEP and worked closely with the clients during the market. Clients benefitted from the consultant's knowledge and experience on everything from identifying prospective buyers to managing inventory.

Finance

Business loans create jobs and help banks



The United States Department of Agriculture (USDA) has established the Business and Industrial Loan Guarantee Program to create and maintain employment and improve the economic climate in rural communities.

The Program guarantees business loans to finance the acquisition of land, buildings, machinery, and equipment. The guarantees can also be used for start-up or working capital needs; expansion or modernization expenses; other project-related costs, and, under certain circumstances, acquisition of an existing business.

The maximum loan size is \$10 million. The guarantees will cover up to 80 percent of losses and, under special circumstances, up to 90 percent of the loss of principal and interest on a loan.

More than \$55 million in guarantee authority is available in the Seventh Federal Reserve District for 1995, about twice the amount that was received last year.

Only businesses located in rural areas with populations under 50,000 can participate. Borrowers must demonstrate loan repayment ability and meet the minimum equity requirements of the program. Established businesses must have 10 percent tangible balance sheet equity, while new businesses need 20 percent equity.

The Program can be assessed through regulated financial institutions that participate.

Guaranteed loans help rural businesses by providing a source of long term financing that is not generally available. Lenders also benefit by participating for the following reasons:

1. They are able to offer term loans with less credit risk;
2. They can offer loans in excess of their lending limits;
3. They can sell the loans to improve liquidity; and
4. They will receive favorable consideration in Community Reinvestment Act assessments.

The Business and Industrial Loan Guarantee Program is

administered by the USDA's Rural Economic and Community Development Service (RECDS). Prior to the USDA reorganization, RECDS was known as the Farmers Home Administration. The staff at the RECDS is willing to assist lenders and rural businesses in accessing the program. ■

Additional information on this program is available from the State Rural Economic and Community Development Service at the following telephone numbers:
Illinois 217/398-5243
Indiana 317/290-3109
Iowa 515/284-4152
Michigan 517/337-6635
Wisconsin 715/341-0023

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- Providing technical assistance, credit counseling, research, and program development assistance to low- and moderate-income persons, small businesses, or nonprofit corporations to help achieve community development.

In the past, the Board has dealt with requests to make public welfare investments on a case-by-case basis. Now, state member banks can make these investments without Board approval as long as they have met eligibility requirements relating to safety and soundness, capital ratios, and consumer laws and regulations. The investments also must not violate state law.

The Board of Governors also revised its interpretation of Regulation Y to streamline the process for bank holding companies. After an initial approval by the Board to make public welfare investments, bank holding companies may now make additional investments that are permissible for state member banks without further Board approval. ■

For copies of the amendments and assistance, contact the Community Affairs Section of the Federal Reserve Bank of Chicago at 312/322-8232. For information on Rushville State Bank's investment, contact Ted Bartlett, President, 217/322-3323.

Microenterprise Development

New capital access program started in Springfield

Ten banks have joined the City of Springfield, Illinois, in a new \$4.5 million Capital Access Program for small businesses that plan to expand or locate in Springfield.

This initiative is designed to eliminate one of the largest barriers to entrepreneurial development — the lack of capital for new and start-up businesses. The Capital Access Program will assist banks in making loans to applicants who do not qualify for a conventional

or Small Business Administration loan.

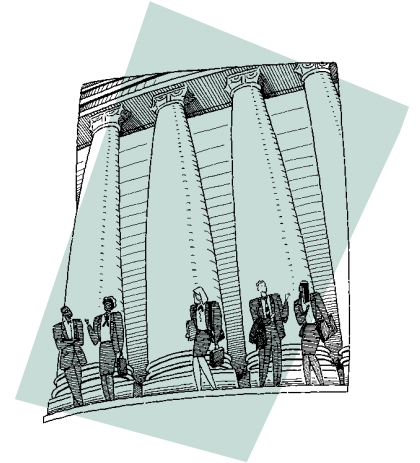
The City of Springfield believes the program will create new businesses and expand its tax base. The City estimates that its contribution of \$300,000 should generate approximately \$4.2 million in new business loans.

The Program uses a special loss reserve to help banks cover potential losses from loans made under the Program. ■

The following participating Springfield lenders are accepting applications for the Capital Access Program:

Bank One, Springfield
Security Federal Savings & Loan
First National Bank of Springfield
Illini Bank
Bank of Springfield
First of America Bank, Illinois
First Bank, FSB, Springfield
Marine Bank
Magna Bank of Illinois
Town & Country Bank of Springfield

For additional information, contact the City of Springfield, Don McCarthy 217/789-2377.



Bond Guaranty Program

Barriers faced by small contractors reduced

The First Illinois Development Credit Corporation (FIDCC) has removed one of the barriers that have prevented small, lesser-known, or start-up building contractors from bidding on many projects.

Through a new public-private sector partnership, the FIDCC and the Illinois Department of Commerce and Community Affairs (DCCA) have initiated the Contractor Bond Guaranty Program. DCCA is providing administrative support and \$2 million in funding to help capitalize the Program. The First Illinois Development Credit Corporation is operating the Program.

The Program helps small and disadvantaged contractors and subcontractors obtain jobs by guaranteeing surety

company bid bonds, payment bonds, and performance bonds on contracts. The Program guarantees or covers up to 90 percent of losses that a surety company might incur when bonding a small contractor bidding on a private sector, government, or public utility contract. It gives priority to contractors with less than \$2.5 million in annual receipts and contracts in the \$50,000 to \$250,000 range.

The Program removes bonding barriers and encourages public and private sector cooperation in bringing together sources of capital such as financial institutions and community development corporations, with users of capital such as small businesses, contractors, etc. After successfully participating in the program, contractors “graduate” and use conventional surety bond channels.

In structuring the program, FIDCC works closely with a Program Advisory Council consisting of representatives from the Hispanic-American Construction Association, the Federation of Women Contractors, the African-American Contractors Association, the Black Contractors United, the surety industry, FIDCC/banking community, and state agencies.

Because Illinois legislation gives the FIDCC broad business financing responsibilities, it is able to make loans for working capital to small, disadvantaged contractors in addition to administering the Contractor Bond Guaranty Program. ■

For additional information on this program, contact George Dinges, President, First Illinois Development Credit Corporation, 403 East Adams, Springfield, Illinois 62701, 217/522-6641.

First Illinois Development Credit Corporation (FIDCC) was chartered and is regulated by the Illinois Department of Financial Institutions. FIDCC is capitalized by a number of public and private sources, including the Illinois Department of Commerce and Community Affairs. Several banks also help fund FIDCC by purchasing stock in the corporation. Shareholders include:

First Robinson Savings and Loan
The New Asia Bank – Chicago
Merchants National Bank – Aurora
Crawford County State Bank
Old Kent Bank – Elmhurst
First National Bank – Oblong
Farmers State Bank of Palestine
Magna Bank – Peoria
First National Bank – Robinson
Banterra Corporation of West Frankfort

Empowering the Seventh District

Empowerment Zones and Enterprise Communities selected by HUD and USDA

Seven Enterprise Communities and two Empowerment Zones have been designated in the Seventh Federal Reserve District to help promote economic development in disadvantaged areas. As a result, these areas will receive special consideration for various federal programs and other assistance, including new tax exempt facility bonds, tax incentives for employment, tax credits for each qualified worker who resides within the zone, and millions of grant dollars for use within each zone.

The areas were selected following an extensive review of Empowerment Zone and Enterprise Community (EZ/EC)

program applications from throughout the country. The United States Department of Housing and Urban Development and the United States Department of Agriculture designated the areas based on strategic plans developed by local municipal leaders, community organizations, and state officials.

The EZ/EC areas generally encompass a small geographic section within the selected city.

Over a two-year period, Empowerment Zones will receive \$100 million in funding and Enterprise Communities will get \$3 million. ■

Urban Empowerment Zones

	Detroit	Chicago
Population	101,279	199,938
Area in Square Miles	18.4	14.3
Diversity		
White	24%	3%
Black	67%	71%
Hispanic	—	25%
Other	9%	1%
Unemployment Estimates		
In The Zone	29%	25%
In The City	19%	11%
In Metro Area	7%	N/A

For information, contact your local EZ/EC office:

Seventh Federal Reserve District Empowerment Zones & Enterprise Communities Community Contact List

Urban Empowerment Zones Detroit/Wayne County, Michigan Chicago, Illinois

Ms. Gloria W. Robinson
City of Detroit
2300 Cadillac Tower
Detroit, MI 48226
313/224-6380

Ms. Valerie B. Jarrett
Dept. of Planning & Dev.
121 North LaSalle Street
Chicago, IL 60602
312/744-4471

Urban Enterprise Communities Des Moines, Iowa Indianapolis, Indiana Muskegon, Michigan Springfield, Illinois Flint, Michigan Milwaukee, Wisconsin

Mr. James Grant
City of Des Moines
602 East First Street
Des Moines, IA 50309
515/283-4182

Ms. Billie J. Phelan
City of Springfield
975 Durkin Drive, Suite P
Springfield, IL 62704
217/546-4575

Ms. Sherry Kohlmeyer
City of Indianapolis
200 East Washington, Suite 2042
Indianapolis, IN 46204
317/327-5894

Mr. Fred Kump
City of Flint
1101 S. Saginaw Street
Flint, MI 48502
810/766-7426

Mr. James Edmonson
City of Muskegon
933 Terrace Street
Muskegon, MI 49443
616/724-6702

Mr. Michael L. Morgan
City of Milwaukee
809 N. Broadway
Milwaukee, WI 53216
414/286-5600

Rural Enterprise Community Lake County, Michigan

Ms. Mary Trucks
Five CAP, Inc.
302 N. Main Street
Scottville, MI 49454
616/757-3785

Mr. James Trumbell
RECDS State Office
3001 Coolidge Road,
Suite 200
East Lansing, MI 48823
517/337-6635

Minority Business Networking

MBOCs strengthen entrepreneurship

Minority business entrepreneurs can obtain help in starting and growing their businesses with the establishment of Minority Business Opportunity Committees (MBOCs) by the U.S. Department of Commerce. The Department of Commerce through partnerships with other federal, state, and local organizations sponsor

nine MBOCs throughout the United States.

In the Seventh Federal Reserve District, the Chicago Region MBOC is a partnership between the U.S. Department of Commerce and the U.S. Department of Agriculture. The Chicago Region MBOC brings together representatives of federal, state, county, and private agencies, to provide minority business enterprises with a variety of resources.

These resources can enhance business development, by including financial and technical advice and increasing procurement opportunities through networking activities.

The Chicago Region MBOC has established the following subcommittees to assist entrepreneurs with their business needs:

Financial — The MBOC helps minority entrepreneurs with capital development. It identifies financial institutions willing to assist minority entrepreneurs with financing, and it assists institutions that have not had contact with the minority business community.

International Trade — The MBOC sponsors seminars to help minority business enterprises with international trade initiatives. It also disseminates information on international procurement and business opportunities.

Marketing — The MBOC sponsors free marketing seminars for minority business enterprises to assist them in reaching their customers.

Procurement — The MBOC identifies procurement opportunities at all levels of government available to minority business enterprises.

Real Estate/Construction — The MBOC looks at real estate and construction opportunities for minority business enterprises.

Development — The MBOC provides a vehicle for minority business enterprises to address their major business concerns. ■

For additional information on the Minority Business Opportunity Committees, contact Ms. LaVena Norris, Executive Director, MBOC, 230 S. Dearborn, Suite 1064A, Chicago, Illinois, 60604, 312/353-5140.

Chicago Region MBOC Mission and Objectives

MBOC mission is to:

- assist minority businesses in assessing domestic and international business opportunities;
- support minority business entrepreneurs in their efforts to develop their businesses and gain access to the economic opportunities of the mainstream business communities; and
- create job opportunities.

MBOC Objectives are to:

- increase support to the minority business community by offering resource assistance in areas such as:
 - finance
 - international trade
 - marketing
 - procurement
 - real estate/construction
 - minority business entrepreneur development
- serve as a focal point to insure minority business participation in local communities.
- identify economic opportunities for the minority business sector.
- identify barriers to participation by the minority business community in capital development, marketing, and procurement opportunities.
- serve as a community advocate for including the minority sector in the economic life of a business community.



Import/Export

New export working capital loan program is working!



C.S. Johnson Co., a designer and manufacturer of concrete mixing and batching equipment, received an export working capital loan to purchase raw materials and additional labor so that it can supply batch concrete plants and a conveyor system for a large dam project in Xiaolangdi, China.

Trading Specialties, Inc., a wholesaler of used Harley-Davidson motorcycles, obtained an export working capital loan for a line of credit to increase its exports to Western Europe and Japan.

Waste-Tech, Inc., a wholesaler and manufacturer of pollution control equipment, obtained an export working capital loan to

support a contract to supply the Italian government with a pollution control device to reduce the volume of slurries and sludges.

These and other projects were made possible through the efforts of the Small Business Administration (SBA) and the U.S. Export Assistance Center (USEAC). The SBA has worked closely with lenders and the Export Assistance Center to approve loans under the Export Working Capital Program. The Program uses the SBA's 90% loan guarantee and is intended to promote international competitiveness of small businesses.

USEAC and the SBA are trying to increase lender participation in this program. So far, in the Seventh Federal Reserve District, only a small number of lenders participate, but they are making a significant impact: five

lenders have participated in nine loans totalling \$4,533,000. Each of these loans represents a success story in a company's attempt to obtain working capital for export purposes.

Last year the Federal Reserve Bank of Chicago and the

U.S. Export Assistance Center hosted a conference for lenders to stimulate interest in export finance and export assistance programs. *Economic Development News & Views* will continue to update our readers on new export program developments as they become available. ■

Lenders Participating in Export Working Capital Program

First of America, Illinois
AMCORE Bank, Rockford
DuPage Valley State Bank, Woodridge
Norwest Bank, Indiana
Stephenson Bank & Trust, Marinette, Wisconsin

Chicago's USEAC/SBA division covers Illinois, Indiana, Wisconsin and Minnesota. If you are a small business, or small business lender, and you would like additional information on export finance or export assistance programs, contact Mary Joyce or Paul Kirwin at the U.S. Export Assistance Center at 312/353-8065 or 312/353-8059.

Export Barriers

Research conducted on small business export issues

What are the biggest obstacles facing Midwestern minority-owned small businesses seeking to enter the export market? A lack of information about market opportunities abroad; difficulties in finding access to foreign distribution channels; and uncertainties regarding the creditworthiness of foreign customers, according to Masoud Hemmasi, Lee A. Graf, and Michael W. Winchell. The three Illinois State University business professors recently presented their research, *Export Barriers and Information Needs Among Minority-Owned Businesses*, at

the Global Business Trends Conference in Cancun, Mexico.

Those who participated in the study also mentioned other barriers relating to "red tape," licensing, documentation requirements, and lack of experienced professional staff. Tariffs, taxes, and government subsidies also play a significant role in deterring small businesses from foreign trade.

Many of the study's participants, especially non-exporters, were not aware of the availability of a wide range of free or low cost export-related information and assistance through various U.S. government agencies. Consequently, they were

not taking advantage of those resources. ■

For more information about this study, contact Dr. Masoud Hemmasi, 309/438-8765, College of Business, Illinois State University, Normal, Illinois, 61761.

For information on numerous export financing, insurance, and marketing assistance programs, contact Dr. Michael W. Winchell, Director, Small Business Institute, Illinois State University at 309/438-7932; and Ms. Mary Joyce of the U.S. Export Assistance Center at 312/353-8059.

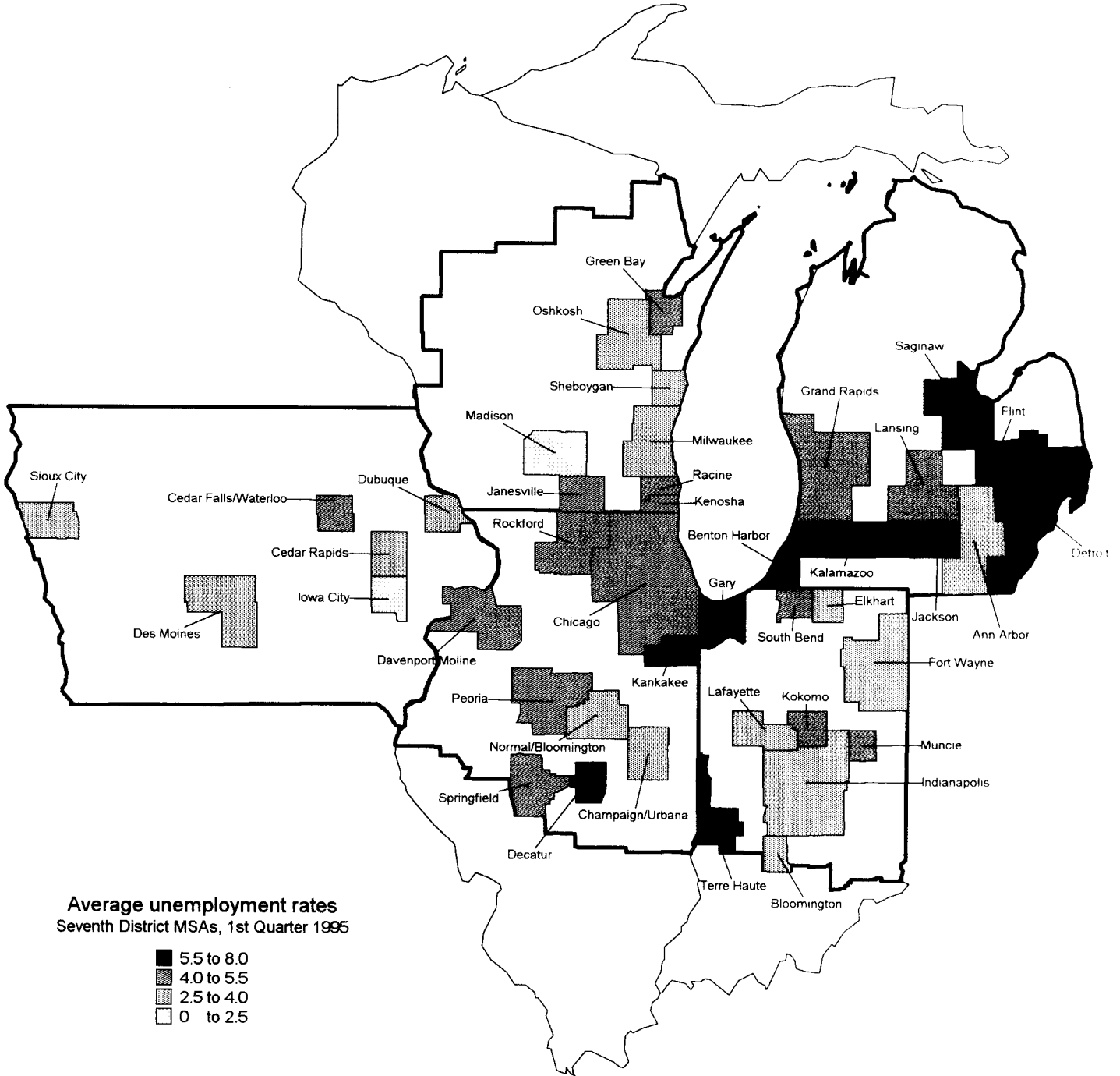
In 1990, exported goods accounted for nearly 84% of the record high \$394 billion growth in the Gross National Product (GNP). Between 1970 and 1990, exported goods more than doubled as a share of the United States Gross National Product.¹

Small businesses accounted for 96% of U.S. firms that exported goods, but only 30% of total U.S. export sales.²

¹ "Export Barriers and Information Needs Among Minority-Owner Businesses" study
² Small Business Administration

Seventh District Labor Markets

Unemployment conditions for first quarter 1995



NOTE: Unemployment rates for MSAs are not seasonally adjusted. All rates are subject to revision.

From Our Research Department

Labor market conditions in the Seventh District

The twelve regional banks of the Federal Reserve System, and, by and large, their current district boundaries, were established by Congress in 1914.

The Federal Reserve Bank of Chicago serves the Seventh District, which includes the entire state of Iowa along with large portions of Illinois, Indiana, Michigan, and Wisconsin.

At the present time, there are 42 Metropolitan Statistical Areas (MSAs) in the Seventh District. The geographic boundaries of MSAs are defined by the U.S. Office of Management and Budget (OMB) as economic areas encompassing communities that are tightly linked by a flow of commuters, migrants, goods and services, and payments.

Unemployment rates are useful indicators of the labor market conditions in local areas. The unemployment rate is defined as the percentage of adults in the work force who are not currently employed but are actively seeking employment. Importantly, the work force, and hence the unemployment rate, does not include workers who are not actively looking for work. This may mean, for example, that workers who have given up looking for work are not counted as unemployed.

Unemployment rates for Seventh District MSAs are provided by the United States Department of Labor (USDOL). Using definitions and guidelines established by the USDOL to ensure consistency across state lines, state agencies calculate MSA unemployment rates on the

basis of a monthly payroll survey and unemployment insurance records. Because of volatility in the monthly unemployment rates, a three-month moving average is reported here to "smooth" the series.

Currently, labor market conditions are very good in most, though not all, areas of the Seventh District. The Seventh District makes up a large part of Middle America, which is experiencing a vigorous economic turnaround in comparison to the early 1980s. In contrast to that period, a more favorable position of the dollar on foreign exchange markets has enhanced the region's exports of agricultural products, consumer goods, machinery, and equipment. The machinery and equipment sectors, along with the important automotive sector, have also gathered momentum due to the generally buoyant national economy. Finally, defense cutbacks and base closings have bypassed most of the region, or the effects are not so severe in comparison to California, New England, and other coastal areas. Similarly, other regions continue to shake off the backlog of overbuilt real estate from the middle 1980s — a market in which many parts of the Seventh District region did not participate as heavily. As a result, many local areas in the Midwest are reporting difficulties in hiring skilled workers as well as unskilled or entry-level workers.

District Highlights

- The seasonally adjusted unemployment rate for the Seventh District was 4.7% in the first quarter of 1995, well below the

national average of 5.5%. This is a marked improvement over 1994's first quarter average of 5.9% for the District.

- An improving economy throughout 1993-94 has uniformly tightened the labor markets in the metro areas around the District. The majority of MSAs' unemployment rates increased slightly in the first quarter, although state employment agencies attribute this mainly to seasonal employment behavior. In addition, all MSAs in the District show year-over-year improvements.
- Iowa's metro areas display the lowest unemployment rates, closely followed by Wisconsin. However, the metro areas in these states also show the smallest year-over-year improvements. Stagnant labor force growth is causing shortages in some areas of these states.
- Indiana displays the strongest job growth since the first quarter of 1994, at 5.6%. At the same time, Indiana's workforce has also expanded at a strong pace, absorbing much of the job creation.
- The Rockford, IL MSA is benefitting from the strong demand for durable goods. Employment gains have been significant in the auto and related, fabricated metals, machine tools, and housing industries.
- Michigan continues to have the highest unemployment rate of the five District states. However, due to strength in its manufacturing durables sector and a decline in its labor force, Michigan MSAs also show the most year-over-year improvement. Unemployment rates in the Benton Harbor, Detroit, Flint, Grand Rapids and Jackson MSAs all decreased substantially from the same period one year earlier.
- Auto sales nationwide slowed recently, prompting General Motors and Ford to idle two Michigan production facilities for one week. However, persisting strength in overall durable goods and equipment orders as well as healthy hiring plans indicate continued tightness in the Seventh District labor market in the near term. ■

Richard Kaglic
Associate Economist

Tracking Midwest Manufacturing Activity

Domestic light vehicle production strengthened in the first quarter on a seasonally adjusted basis. Car production rose to its highest quarterly level since the first quarter of 1989, and light truck output flattened out at high levels. New light vehicle sales reportedly weakened in recent months, however, and domestic vehicle output is

currently scheduled to fall back somewhat in the second quarter.

Some special factors played an important role in dampening auto sales in early 1995, including income tax effects, redesigns of popular models, lower incentives, and higher interest rates on auto loans.

Manufacturing output indexes (1987=100)

	March	Month ago	Year ago
Midwest Manufacturing Index	142.6	142.9	131.1
Industrial Production Index	124.4	124.5	118.0

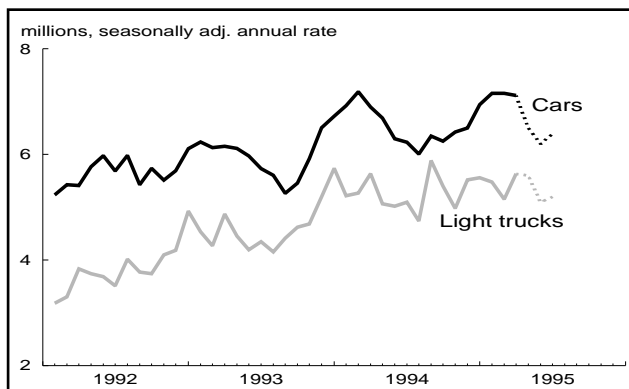
Motor vehicle production (millions, seasonally adjusted annual rate)

	March	Month ago	Year ago
Cars	7.1	7.2	6.9
Light Trucks	5.6	5.2	5.6

Purchasing managers' surveys: net percent reporting production growth

	April	Month ago	Year ago
Midwest	60.2	57.9	73.9
United States	55.3	53.6	63.2

Motor Vehicle Production



Note: Dotted lines are estimated production from auto producers.

Sources: The Midwest Manufacturing Index (MMI) is a composite index of 15 industries, based on monthly hours worked and kilowatt hours. Industrial Production Index represents the Federal Reserve Board index for the U.S. manufacturing sector. Autos and light trucks are measured in annualized units, using seasonal adjustments developed by the Board. The purchasing managers' survey data for the Midwest are weighted averages of the seasonally adjusted production components from the Chicago, Detroit, and Milwaukee Purchasing Managers' Association surveys, with assistance from Bishop Associates, Comerica, and the University of Wisconsin — Milwaukee.

Source: Chicago Fed Letter

Federal Reserve Bank of Chicago
June, 1995

Business Development Pays Its Way

Business development and its impact on taxes

As business development in a municipality increases, the tax burden appears to decrease, according to an analysis conducted by William A. Testa and William H. Oakland. The analysis is presented in an article "Does business development raise taxes?" in the March/April 1995 issue of the Federal Reserve Bank of Chicago's *Economic Perspectives*. Testa is a senior regional economist and assistant vice president at the Federal Reserve Bank

of Chicago and Oakland is professor of economics at Tulane University.

Although the correlation Testa and Oakland found does not necessarily imply that the business development caused the decrease in taxes, it definitely "eases the burden of proof from those who believe that business development is associated with fiscal benefits" and shifts it to challengers who maintain that business development brings along high costs in associated public services and infrastructure.

Testa and Oakland used statistical analysis to assess whether business development has been associated with reductions in tax burdens. They drew a sample of 115 communities from suburbs within a six-county Chicago area with a period of observation roughly from 1980 to 1990. ■

For a copy of the March/April issue of the Federal Reserve Bank of Chicago's *Economic Perspectives*, contact the Public Information Center at 312/322-5111.

The *Economic Perspectives* article is drawn from a larger body of work entitled **Does Business Development Raise Taxes: An Empirical Appraisal**, also written by Testa and Oakland, and jointly supported by The Metropolitan Planning Council and the Federal Reserve Bank of Chicago.

For a copy of **Does Business Development Raise Taxes: An Empirical Appraisal** contact Laura Ramel of the Metropolitan Planning Council, 220 S. State Street, Room 1800, Chicago, IL 60604.

Around the District

Illinois

New International Trade Specialist named

The U.S. Department of Commerce has announced that Mitch Larsen is the new International Trade Specialist at the Rockford Branch of the U.S. Export Assistance Center. The Rockford Branch provides assistance to companies located in a ten-county region of northwestern Illinois. If you are interested in programs available to finance your production or increase your export markets, call Mitch Larsen at 815/987-4347.

Illinois Banks receive delegated authority from the Ex-Im Bank

Ex-Im Bank has streamlined its pre-export working capital loan guarantee program by offering Delegated Authority to qualified lenders. The Delegated Authority enables the lenders to commit to working capital guaranteed loans to qualified exporters with little or no Ex-Im Bank review. Illinois banks that have the ability to use Delegated Authority include: American National Bank and Trust; Bank One; NBD Bank, N.A.; and LaSalle National Bank. For additional information, call 312/353-8040.

Wisconsin

Small business workshops held

The City of Milwaukee's Department of Community Development has been sponsoring free half-day workshops on financing options for small businesses. Representatives from the Small Business Administration, Wisconsin's Housing and Economic Development Authority, Wisconsin's Department of Development, the Women's Business Initiative Corporation, and the Milwaukee Enterprise Centers are available to answer questions on their programs. The next workshop is June 8, 1995. For additional information, contact Central City Initiative at 414/263-8730.

Indiana

LISC expands into additional cities

The Local Initiatives Support Corporation (LISC) is expanding its presence in Indiana. The LISC programs have been so successful in Indianapolis that Program Director Lisa A. Archey has been put in charge of the new LISC expansion into Muncie, Evansville, South Bend and Fort Wayne. For additional information, call the Local Initiatives Support Corporation at 317/630-3113.

Calendar

June 14

Chicago, Illinois

"SBA LowDoc Training Workshop For Bankers." Cosponsored by the SBA and Illinois' Small Business Development Network. Contact: Carson Gallagher at 312/814-6111.

July 12

Chicago, Illinois

"SBA LowDoc Training Workshop For Bankers." Cosponsored by the SBA and Illinois' Small Business Development Network. Contact: Carson Gallagher at 312/814-6111.

July 25-29

Chicago, Illinois

"Community Development Training Sessions." Sponsored by Neighborhood Reinvestment Training Institute. Contact: 202/376-2168.

July 27-28

Snowbird, Utah

"National Rural Development Conference." Cosponsored by Federal Reserve Bank of San Francisco, USDA, ABA, Rural Community Assistance Corp. Contact: 415/974-2968.

August 9

Chicago, Illinois

"SBA LowDoc Training Workshop For Bankers." Cosponsored by the SBA and Illinois' Small Business Development Network. Contact: Carson Gallagher at 312/814-6111.

September 6

Chicago, Illinois

"SBA LowDoc Training Workshop For Bankers." Cosponsored by the SBA and Illinois' Small Business Development Network. Contact: Carson Gallagher at 312/814-6111.

October 1-3

Arlington, Virginia

"Urban Economic Development Summit." Sponsored by National Council for Urban Economic Development. Contact: 202/223-4735.

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