

Remarks by Secretary of the Treasury Janet L. Yellen in Detroit, Michigan

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As Prepared for Delivery

Good afternoon. Earlier today, I had the chance to visit the Detroit Economic Club with Governor Whitmer to speak about our nation's historic economic recovery and our current economic strength. The resilience and hard work of the American people, and in particular, small business owners and employees, have been at the heart of this recovery and our continued growth. That's why I'm here at Newlab today.

In my remarks, I'll speak about the importance of small businesses to our economy, which I know all of you at Newlab know well. I'll explain how, under President Biden, we've seen a small business boom in communities across America—a sign of confidence in our economy. And I'll highlight the significant steps this Administration is taking to support small businesses and the middle-class Americans who lead them so that they can continue to succeed.

I. OUR ECONOMIC AGENDA AND SMALL BUSINESSES

First, let me step back to make clear that this Administration's support to small businesses is part of our broader economic agenda. The President and I know that the middle class is at the heart of the U.S. economy. But the middle class in America has faced too many challenges for too long. We need economic policy that makes middle-class lives better and that equips middle-class families to succeed. This goal drives our work, from lowering the costs of key goods to investing in manufacturing and clean energy. Supporting small businesses is key too.

Starting or growing a business can bring families more economic opportunity and more financial independence. I've seen this firsthand. My father was a doctor, and his ability to run a successful small practice in Bay Ridge, Brooklyn shaped my childhood and the opportunities that were available to me.

As small businesses grow and scale, they create opportunities not only for their owners and their families but also for entire communities. The Small Business Administration finds that small businesses have accounted for two out of every three jobs added in the past 25 years.

These jobs matter, especially for communities across America where there historically hasn't been enough opportunity. And small businesses also generate revenue for local governments that can then be put back into the community.

Taking an even wider lens, small businesses have a profound impact not just on families and communities but on our economy as a whole. Sectors associated with high-growth start-ups have historically been major contributors to national growth. And entrepreneurship brings with it creativity and innovation, so small businesses drive not just growth, but dynamism.

For all these reasons, we've put small businesses at the center of our agenda to support the middle class.

II. OUR RECOVERY AND SMALL BUSINESS GROWTH

Our support to small businesses started with driving a historic recovery.

When President Biden came into office, we were in the depths of the pandemic. Thousands of Americans were dying each day. Many were losing their jobs. Business owners across the country faced the prospect of reversing progress from decades of hard work due to something entirely out of their control.

In response, we acted quickly and decisively. We passed the American Rescue Plan to provide urgent support to American workers and businesses. We also took action to expand supply, focusing on unsnarling supply chains that had contributed to higher prices of goods and on bringing more Americans into the labor force.

Three years later, our country has seen particularly strong GDP growth and inflation has cooled sooner and more quickly, compared to other large, advanced economies. Just yesterday, we got additional data showing that we continue to make progress in bringing down inflation. In January, the headline consumer price index fell to 3.1 percent. That's six percentage points below its peak in June of 2022. The labor market is also historically strong. Labor force participation is up from before the pandemic and the unemployment rate is near historic lows.

The President and I know that the costs of key goods that matter to small businesses and middle-class families are still too high, so we're focused on taking action to address them. Energy prices have declined, with gas now down around \$1.80 per gallon from its high in June 2022. As I spoke about yesterday in Pennsylvania, we're also addressing health care costs. The

Inflation Reduction Act caps the cost of insulin at \$35 a month for Medicare beneficiaries and allows Medicare to negotiate to bring down the costs of prescription drugs.

Without all of our actions, I believe that small businesses would have fared very differently. Instead, our historic recovery and continued growth has fueled entrepreneurialism, seen in record small business creation. Sixteen million new business applications were filed in the first three years of the Administration, with more applications filed in each of these years than in any other year on record. Last year, we reached a new high of 5.5 million applications. Applications have increased in all major industries since before the pandemic, from e-commerce to professional services. And more applications are translating into more business creation. From 2021 to 2023, the number of new establishments grew 27 percent faster than throughout 2018 and 2019.

As I've said before, we've had the fairest recovery on record—and we see this in business filings as well. New business filings have increased in all states. Black business ownership has grown at its fastest rate in thirty years. Hispanic business ownership is also up—by nearly 40 percent since 2019.

This speaks to people feeling increasing confidence about their economic situations and about the economy. There's no better way to judge whether people feel optimistic than whether they'd start a small business. You don't do that if you don't feel like things are getting better. Behind each of the record number of new applications is a person who decided to make a choice. Each choice contributes to a more entrepreneurial and growing economy.

III. ACTIONS FOR THE LONG-TERM

But the President and I know that supporting small businesses takes more than a historic recovery, so we're also focused on giving businesses the tools to continue growing. Since the start of this Administration, we've passed a historic trifecta of legislation: the Bipartisan Infrastructure Law, the CHIPS and Science Act, and the Inflation Reduction Act. As we implement these laws, we're making sure small businesses are positioned to benefit.

Our efforts start with a focus on expanding access to capital so that business owners can seize new opportunities. Small business owners have historically faced barriers to accessing the capital they need. It's too hard to find investors, especially for businesses that don't have the collateral typically needed to borrow.

To address this, the State Small Business Credit Initiative provides \$10 billion to expand access to capital for around 100,000 small businesses across the country—from credit programs to equity and venture capital. Every \$1 we invest is expected to catalyze up to \$10 of private sector investment. Take Extrunet America, which has a facility in Tecumseh, Michigan to produce machinery and tooling. Extrunet saw an opportunity to grow its operations but didn't have the financing to do so. So Extrunet got SSBCI support in the form of a cash collateral account. This enabled the company to unlock a bank loan of over \$1 million and use it to expand its facility to boost production.

Another example is Roundtrip EV Solutions—a start-up in Connecticut that is helping haulers in the waste industry electrify their fleets. SSBCI funds and private capital are allowing the company to implement its go-to-market strategy and to hire the key personnel it needs to scale.

Second, beyond financing, we're fueling an ecosystem of organizations that provide other forms of assistance. We've created working groups for states to learn from one another. We're hard at work implementing the SSBCI Technical Assistance Grant Program, which helps small businesses become capital ready. Right here in Michigan, a grant of over \$5 million is enabling the Michigan Economic Development Corporation to work with nine technical assistance providers to support nearly 2,000 small businesses. The Investing in America Small Business Opportunity Program will support additional technical assistance programming, geared toward very small businesses and businesses owned by socially and economically disadvantaged individuals, particularly those in the infrastructure, manufacturing, and clean energy sectors.

Third, across our financial and non-financial support to small businesses, we're focused on reaching people and places that have too often been left behind. Opportunity in this country has been too concentrated on the coasts and in wealthier communities. It is particularly hard for Black and Hispanic entrepreneurs to get financing. This keeps opportunity out of reach for too many Americans equipped with good ideas and ready to put in the work to make them happen. And it limits our country's growth. In 2020, Black-owned businesses employed over 1 million people and created tens of thousands of new jobs. The 5 million Latino-owned businesses across the U.S. generate more than \$800 billion in annual revenue.

Bipartisan Infrastructure Law funding is going to states with the lowest-rated public infrastructure and lower median household incomes, creating new opportunities. Since the Inflation Reduction Act was passed, 70 percent of IRA-related investments have been in

counties where the employment rate is below the national average. We're making sure our support to small businesses also gets to where it's most needed.

We started close to home, by making opportunities available through federal contracts. We've engaged those who haven't previously had a chance at government business, awarding \$163 billion in federal procurement opportunities to small businesses in 2022. At the Treasury Department, we've increased the dollar amount of contracts awarded to Latino-owned businesses since 2020 by 23 percent. And the Internal Revenue Service has committed to spend almost 20 percent of its procurement on small and disadvantaged businesses this year. We've called on the private sector to do the same—asking companies in Investing in America sectors, from semiconductors to clean energy, to diversify their supply chains by contracting with small and underserved businesses.

Beyond contracting, we are also enabling unprecedented investments in CDFIs. Through the Emergency Capital Investment Program, we've invested more than \$8.5 billion in 175 community financial institutions that are reaching the hardest-to-serve borrowers. The Small Business Administration provided \$50 billion to small businesses across the country in 2023. It more than doubled the number and dollar value of loans to Black-owned businesses since 2020 and partnered with the Department of Agriculture to invest in rural businesses. Here, too, our investments are fueling private sector actions that further increase opportunity. Last year, Treasury worked with the Economic Opportunity Coalition to set a new goal to secure \$3 billion in deposits for community lenders.

President Biden often speaks of America as a country of possibilities. There's no better example of this than the opportunities we're working to create for small businesses through financing, non-financial support, and a specific focus on reaching those who have been left behind. The private sector is investing and business owners across the country are ready to continue leading. These hard-working Americans have propelled our country forward and will continue to do so in the years to come. It's never a bad bet to bet on them.

Thank you to all of you for being here today.

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