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FOCUS

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Becoming Y2K Ready

Are you Y2K ready? That is one of the most pressing questions on our minds today as we ponder the future of our computers. However, the new millennium also will demand new ideas and more responsive approaches to the challenges we face as a society. Foremost among these challenges is the continuing quest for racial justice, equal opportunity, and greater cohesion in a more diverse population.

These are some of the Y2K concerns that will be on the minds of black elected officials when they convene in Washington next year on January 20-22, to chart a course for black economic advancement in the new millennium. The seven national organizations of black elected officials, including the Congressional Black Caucus, will convene the Eighth National Policy Institute in collaboration with the Joint Center for Political and Economic Studies.

More than 500 elected officials, governmental appointees, scholars, and corporate executives are expected to attend this historic meeting at the Capital Hilton Hotel as we begin the next century in the year 2000. As both a co-sponsor and the coordinator of the National Policy Institute, the Joint Center will provide information on the institute on an ongoing basis. Next month's issue of *FOCUS* will carry detailed plans.

In addition to the Congressional Black Caucus and the Joint Center, the other Institute sponsors are: the National Black Caucus of Local Elected Officials; Judicial Council of the National Bar Association; National Conference of Black Mayors; National Caucus of Black School Board Members; National Black Caucus of State Legislators; and the National Association of Black County Officials.

Since 1984, National Policy Institutes have been held every four years, coinciding with each presidential election year. One critical goal of the nonpartisan institute is to propose public policies and to develop political strategies for improving the quality of life for African Americans. Another goal, of course, is to make certain that all presidential hopefuls are aware of those policies and strategies. In short, the institute provides a platform for some serious political muscle flexing early in the presidential election year.

Prior to the four quadrennial institutes held since 1984, there were three other national conferences of black elected officials. The first was held in Chicago in 1967, prompted, in large measure, by the passage of the 1965 Voting Rights Act. The second national conference of black elected officials was held in Washington, D.C., in 1969. It led to the creation of the Joint Center in 1970. The Joint Center was just five years old when it convened the third national meeting of officials in 1975.

Each institute has focused on the most critical issues of the day and featured workshops and speakers who addressed those issues. The theme for the year 2000 institute, *Black Economic Advancement: An Agenda for the New Millennium*, will shape the content of the event.

There has never been a more critical time for black leaders with many different points of view to come together and define the issues of greatest importance to the black community. Today's public policy debates — on issues from welfare reform and the devolution of federal power to affirmative action and the resurgence of racism — are of urgent interest to African Americans. In the fall of 2000, the black vote will play a pivotal role in the presidential election as well as in congressional, state, and local races, and, thereby, influence the public policy agenda. The institute's objectives will go a long way in making all of our nation's leaders Y2K ready. ■

PRESIDENT

Child Soldiers

Thousands of Children Around the World Are "Recruited" Into Armies or Rebel Bands Where They Are Made Into Frontline Fighters

by David C. Ruffin

"One boy tried to escape, but he was caught. His hands were tied, and then they made us, the other new captives, kill him with sticks. I knew this boy from before. We were from the same village. I refused to kill him and they told me they would shoot me. They pointed a gun at me, so I had to do it. The boy was asking me, 'Why are you doing this?' I said I had no choice. After we killed him, they made us smear his blood on our arms. They said we had to do this so we would not fear death and so we would not try to escape."

This account was given in an interview to Human Rights Watch by Susan, a 16-year-old who was abducted as a child by the Lord's Resistance Army in Uganda and forced to be a child soldier. She is one of the "fortunate" ones who was able to escape. But she has not been able to escape the memory of that brutal time. The boy she helped kill still haunts her dreams.

Susan is just one of an estimated 300,000 children under the age of 18 who have been pressed into combat in conflicts around the world. They are "recruited" or kidnapped by government armies and opposition forces alike. Usually given no more than two or three weeks' training, child soldiers as young as eight are forced to be frontline soldiers, made to clear minefields, and used as spies, porters, and guards. Beatings, torture, and rape are common experiences for them. Girls are not only forced to fight, they are often given to military commanders as sex slaves. Human Rights Watch, an organization that has studied the use of child soldiers around the world, estimates that in the last decade, about 2,000,000 minors have been killed in armed conflicts and 6,000,000 seriously injured or permanently disabled.

Under current international law, children can be legally recruited and deployed in war from the age of 15. So far, efforts within the United Nations to raise this age to 18 have failed. But organizations both here and abroad have opposed this crime against the young. In the United States, 40 organizations are lobbying the U.S. government to support the ban and deny aid to foreign governments and organizations that use child soldiers. In July 1998, a permanent International Criminal Court with jurisdiction over child soldiers was established.

Grim Facts

The findings of a Human Rights Watch study of the problem of child soldiers around the world paint a grim picture.

Mr. Ruffin is the editor of FOCUS.

- The participation of child soldiers has been reported in 33 ongoing or recent armed conflicts in almost every region of the world.
- Children are uniquely vulnerable to military recruitment because of their emotional and physical immaturity. They are easily manipulated and can be drawn into violence that they are too young to resist or understand.
- Technological advances in weaponry have contributed to the increased use of child soldiers. Lightweight automatic weapons are simple to operate and can be used by children as easily as adults.
- Children are most likely to become child soldiers if they are poor, separated from their families, displaced from their homes, living in a combat zone, or have limited access to education. Orphans and refugees are particularly vulnerable to recruitment.
- Lack of access to education draws many children into armed groups. In Afghanistan, where 90 percent of children are now thought to have no access to schooling, the proportion of soldiers who are children is believed to have risen in recent years from 30 to 45 percent.
- Both girls and boys are used as soldiers. In case studies in El Salvador, Ethiopia, and Uganda, almost a third of the child soldiers were reported to be girls. Girls may be raped, or in some cases given to military commanders as "wives."
- Children have been forced to commit atrocities against their own families or neighbors in Afghanistan, Bhutan, Burma/Myanmar, Colombia, Guatemala, Honduras, Mozambique, and Nicaragua. Such practices help ensure that the child soldier is stigmatized and unable to return to his or her home community.
- The most common physical injuries that child soldiers suffer are loss of hearing, loss of limbs, and blindness. In Guatemala, where children were used as advance scouts and mine detectors, mine explosions have been the principal causes of death and injury to children in the army.
- No peace treaty to date has recognized the existence of child soldiers, or made provisions for their rehabilitation and reintegration into society. Many former child soldiers do not have access to the educational programs, vocational training, family reunification, or even food and shelter that they need to successfully rejoin civilian society. As a result, many end up on the street, become involved in crime, or are drawn back into armed conflict.

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Child Soldiers

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Africa's Child Legions

Although the use of children is a worldwide phenomenon, the problem is particularly acute in Africa where thousands of children have been caught up in civil wars. The newly established International Coalition to Stop the Use of Child Soldiers, based in Geneva, Switzerland, reports that more than 120,000 children under the age of 18 are fighting in African conflicts. The countries most affected are: Algeria, Angola, Burundi, Congo-Brazzaville, the Democratic Republic of Congo, Liberia, Rwanda, Sierra Leone, Sudan and Uganda.

In northern Uganda, the Lord's Resistance Army (LRA) has systematically abducted 10,000 children from their homes, schools, and communities. Children abducted by the LRA are forced to raid and loot villages and then carry the booty many miles to rebel camps across the border into Sudan. Children who attempt to escape, resist, become sick, or cannot keep up are killed, often by children from their own villages. In the camps, children are tortured, threatened, and sexually abused. Recent reports indicate that the LRA has turned to selling abducted children into slavery in exchange for arms. Some children, especially orphans whose parents have been killed in the fighting in their areas, join voluntarily out of a need for security. With the loss of their families and the breakdown of civic and traditional institutions, being a soldier brings with it the right to carry a gun, which can guarantee life and food.

National armies and rebel groups take advantage of the immaturity of children to induce them to take deadly risks on the battlefield. According to one rebel commander in the Democratic Republic of Congo, "children make good fighters because they're young and want to show off. They think it's all a game, so they're fearless." Usually receiving little or no training, children who are regarded as expendable are often thrust into the front lines. Sometimes child soldiers are forced to charge the enemy fully erect, drawing the fire of troops opposing them.

Children as young as seven or eight begin their military apprenticeships as porters (carrying food or ammunition) or as messengers. They are frequently used as spies — they can cross enemy lines without being suspected because they are so young. By age 10, most children are strong enough to carry an assault rifle and be used in combat.

In addition to force and intimidation, many child soldiers are induced to commit violent acts under the influence of alcohol, marijuana, or other drugs. A journalist from the French newspaper *Le Figaro* reported that most of the rebels in Sierra Leone's civil war are children under age 14, and that they are frequently given drugs and alcohol, especially before a battle. This is one account of torture in Sierra Leone in which a drugged child soldier participated: "At 2 p.m., they gouge out two eyes, at 3 p.m. they cut off one hand, at 4 p.m., they cut off the other hand, at 5 p.m., they cut off one foot and ... at 7 p.m. it is the death which falls down."

Some Can't Go Home

Some children manage to escape from their captivity by slipping away under the fog of war. Most children in rebel armies escape by creeping into government army lines, others must walk long distances to safety. About 57 percent of those who escape are between 11 and 16 years of age. Boys escape four times more often than girls. Once escapees do arrive at refugee camps, they are generally weak, ragged, and malnourished. According to World Vision officials in Kampala, Uganda, it is common for child soldiers to show up covered with sores, and some arrive with poorly treated bullet wounds. Many girls suffer from sexually transmitted diseases. What is worse, they often suffer from deep and lasting psychological traumas. Children who have been deprived of the support of nurturing families and given the freedom to kill are often difficult to reintegrate into society once they have escaped the life of a soldier.

When they try to return to their homes, many of them find that their parents and other relatives have been killed. They are frequently shunned by those who are left in their villages. Unfortunately, institutions that could help these young peopåle have deteriorated in many African countries as a result of civil conflicts. Ostracized and without civilian skills, legions of young illiterate combat veterans roam African towns with no place in society. Some of them turn to crime.

The cumulative exposure over time to systematic abuse by adults, the shocks of combat, and drug abuse combine to form a culture of violence that dehumanizes many of these children and makes them insensitive to the suffering of others. At the March 1998 trial of a 13-year-old Democratic Republic of Congo soldier, it was learned that he had shot and killed a local Red Cross volunteer in Kinshasa over a soccer dispute.

According to Human Rights Watch, when even a few children are involved as soldiers in a conflict, all children, civilian and combatant alike, come under suspicion. In Uganda in April 1998, 25 boys who had been abducted by rebel groups and used as child soldiers were charged with treason by the Ugandan government and now face death sentences. In January this year, the Ugandan army executed five teenage boys between the ages of 14 and 17 suspected of being rebel soldiers.

Move to Demobilize Children

The U.S. Campaign to Stop the Use of Child Soldiers advocates an international ban on the military recruitment of children under the age of 18 and their participation in armed combat.

The group also advocates raising the U.S. enlistment age to 18 (currently, the U.S. armed forces accept 17-year-olds with parental permission) and eliminating U.S. military aid that facilitates the use of child soldiers by other governments or organizations. ■

Making Welfare Reform Work for Families

States Need to Take Advantage of Opportunities to Help Low-Income Parents Struggling to Support their Families

by Eileen P. Sweeney

Since even before passage of the welfare reform law in 1996 which substituted the Temporary Assistance for Needy Families (TANF) program for the old Aid to Families with Dependent Children (AFDC) program, states had been designing their welfare programs to reduce the number of families and individuals receiving cash assistance benefits and move parents into jobs. But TANF has precipitated a dramatic decline in the number of families receiving cash assistance, which has fallen from 5 million receiving AFDC in 1994 to fewer than 3 million families receiving TANF benefits today. While the strong national economy and the growth of jobs have been key factors in making employment available to parents leaving welfare, other factors contributing to caseload reductions have had negative consequences for some of the families who have lost assistance. Steep caseload declines have also created an opportunity for states to use the freed-up cash to assist families facing obstacles to employment as well as families that are working but struggling to make ends meet. But few states are taking full advantage of that opportunity.

Most states have implemented "work first" welfare policies that focus on immediate job placement and deemphasize assessments of parents' employment potential and their education and training needs. In addition, some states' policies are designed to discourage indigent parents from applying for aid, requiring them to fulfill numerous requirements before an application can even be filed. Individuals who fail to comply with some aspect of the state's requirements often suffer serious penalties, such as having aid to the children as well as the parents cut off. The result has been that many families lose or never receive TANF benefits despite their continuing need.

TANF funds cannot generally be used to provide assistance to families for more than 60 months (there is an exception for up to 20 percent of a state's TANF population), and some states have imposed even shorter time limits. Although states with shorter time limits do grant exceptions for certain groups of recipients, families have already begun to lose aid because of these policies.

With TANF caseload declines in the states ranging from 15 percent to 87 percent since 1990, state officials are suggesting that these figures reflect the "success" of welfare reform. But there's a different story behind the numbers. Some families who have been removed from TANF rolls are working, while others have no earnings and it is not clear how they are surviving.

Recent studies suggest that between half and three-quarters of parents have jobs shortly after leaving TANF. This means that one-quarter to one-half do not, and it is clear that most families who have left welfare and are employed are struggling to meet their families' needs. Most studies that track former welfare recipients show that those who find jobs generally earn low wages—working more than 30 hours per week for less than $8 per hour, and often for less than $6 per hour. The average annual income of former welfare recipients is between $8,000 and $11,000, well below the poverty line for a family of three. Few of the jobs former recipients hold provide basic benefits, such as paid vacations, sick leave, or health insurance.

Little is known about the families in which parents are unable to find employment. Although the heads of some families unable to work continue to receive cash assistance, it appears that others with similar needs are no longer receiving benefits because of sanctions or other procedures designed to discourage participation in the program. Factors that impede parents from securing employment include lack of a high school diploma, limited work experience, learning disabilities, lack of a driver's license or access to a car, poor physical health or disabilities such as severe depression, and the poor health of a child or another family member. Recipients of assistance with these and other problems need more intensive employment support and other social services than generally envisioned in the "work first" approach to welfare reform. Some of the unspent federal funds available to states for welfare- related purposes would be well used for design and implementation of programs and services to assist recipients with these special needs as well as former recipients with similar needs who are jobless.

Ensuring Access to Food Stamps, Medicaid

The reduction in the number of families receiving TANF assistance has resulted in some unexpected reductions in the number of families receiving food stamps and Medicaid. These two programs are key ongoing supports for those who leave TANF without employment and for low-income working families not receiving TANF, enabling them to retain jobs, support their families, and remain independent of cash assistance. Despite the importance of these benefits, administrative practices seem to have hindered families' access to them.

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Ms. Sweeney is the director of the State Low-Income Initiatives Project at the Center on Budget and Policy Priorities in Washington, D.C. Additional information on many of the topics discussed here can be found at www.cbpp.org.

Welfare

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Nationally, the food stamp caseload has declined 34 percent since 1994. This drop exceeds what could be attributed either to the strength of the economy or to food stamp eligibility changes under the 1996 welfare law. Similarly, the number of children enrolled in Medicaid appears, at least in some states, to be declining despite recent expansions in eligibility for children.

These findings are a cause for concern because many families removed from TANF or diverted from TANF programs typically have incomes low enough to qualify them for food stamps. In addition, the children in these families — and often the parents as well — remain eligible for health coverage under Medicaid. But in many cases, states are not assessing whether families removed or diverted from TANF are eligible for either program. Children ineligible for Medicaid due to their parents' income are likely to be eligible for government-sponsored health insurance through their state's newly instituted Child Health Insurance Program (CHIP). Congress created the CHIP program in 1997 as a block grant, providing federal funding to states to cover children in working families. States can do this by expanding their Medicaid program, establishing a separate state insurance program, or adopting a combination of these approaches. States that deny or terminate cash assistance to a family through TANF are required to assess each family members' continued eligibility for Medicaid and also should consider the children's eligibility under the state's CHIP program if they are no longer eligible for Medicaid.

Applicants, recipients, health providers, and communities all should be made aware that families may receive food stamps and Medicaid without receiving TANF benefits. Local procedures are needed to ensure that eligible families qualify for these benefits, and the staff that administers the benefits should be specially trained to implement them.

Unspent Funds to Help Needy Families

Although many states have succeeded in dramatically reducing their caseloads, they have not yet succeeded in making welfare reform a success for most families receiving TANF or those leaving TANF. And, they are missing opportunities to invest their surplus TANF funds in strategies and services that could help low-income families overcome barriers to employment as well as support their families on very low wages. Each state is allocated an annual TANF block grant based on the amount of federal funds it received under the AFDC program in the early 1990s, when caseloads were much larger. The amount of the grant remains fixed regardless of how much a state's caseload is reduced or how well the economy is doing.

States also have a fixed "maintenance of effort" (MOE) requirement for expenditure of state funds, which is equal to 80 percent (in some states, 75 percent) of the state's 1994 AFDC-related spending. The decline in caseloads means that states also have freed-up state funds that can be spent on a broad array of programs and strategies to assist low-income families with children, that is, both working poor families and families with significant barriers to employment.

For example, states may use their surplus TANF funds or state MOE funds to establish public job creation programs, provide income-based childcare to all low-income families, increase TANF cash assistance to families, or allow families to receive child support without reducing the amount of the family's TANF grant. States can provide support to low-income working families, including housing assistance, transportation allowances, and income-based wage supplements. States may also use their state MOE funds to extend food and cash assistance to legal immigrants who are not eligible for federally funded benefits and to pay the refundable portion of a state earned-income tax credit.

In addition, states should fund training opportunities, including those at job sites, for newly employed welfare recipients and other low-wage working parents so that they can advance from unstable, low-wage positions into better-paying jobs with fringe benefits and a greater measure of job security. Similarly, in-depth assessments of a parent's strengths and needs and more intensive services designed to address problems such as substance abuse and depression should be made available to TANF recipients who face serious barriers to finding and sustaining employment. One very important development at both the federal and state levels has been a new focus on non-custodial parents. Some states are using some of their TANF surplus funds or their MOE funds as well as Welfare-to-Work funds provided through the U.S. Department of Labor to design work and training opportunities for low-income, unemployed men so that they are able to become self-sufficient and can meet their child support obligations.

States also have opportunities to provide assistance to certain families solely with state MOE funds to help the families avoid reaching their federal time limits. This can be especially important for parents seeking to complete post-secondary education. It also allows states to provide income supplements to very low-income working families without using up months of TANF benefits they may need at some point in the future. The key is to design and implement coherent, creative strategies that address a range of needs and allow Americans in need to work and support their families.

There is certainly public support for such policy modifications. The results of a national public opinion poll released earlier this year by the W. K. Kellogg Foundation show that, while the public overwhelmingly supports welfare reform and believes that parents should work, they are even more supportive of ensuring that parents have the income and childcare supports, healthcare coverage, training, and education they need in order to support their families. And the public believes that working-poor families should receive the same support as families attempting to leave welfare. (The complete survey and results are published at www.wkkf.org.)

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A Voice for Minority Business CEOs

With Grants From the Department of Commerce and AT&T, the Joint Center Creates the Minority Business RoundTable

by David C. Ruffin

The Joint Center is forming an organization that will give large minority firms a collective voice in the public affairs of the nation. Through a competitive bidding process, the Center was awarded a $155,000 contract from the Minority Business Development Agency of the U.S. Department of Commerce to create the Minority Business RoundTable (MBRT). This organization will be based in Washington, D.C., and will consist of the heads of the nation's leading businesses owned by African Americans, Latinos, Asian Americans, and Native Americans from diverse industries and geographic locations.

The MBRT is modeled on the 27-year-old Business Roundtable, which is made up of about 200 of the nation's biggest firms. Eddie N. Williams, president of the Joint Center, sees the MBRT as an organization that will ensure that minority business leaders receive up-to-date information on relevant economic policies and trends, national and global economic policies, and other issues affecting their businesses. "MBRT presents the first concrete opportunity for large minority-owned firms to collectively address issues of common concern to them as employers, profitable organizations, and active corporate citizens. Coming together in such an organization strengthens their ability to develop and influence critical public policies," says Williams.

According to the U.S. Bureau of the Census, minority firms constitute 11.4 percent of all American businesses and generate revenues of $200 billion annually. Companies in the top tier of minority businesses have demonstrated rapid growth. From 1994 to 1996, companies listed in *Black Enterprise* magazine's "BE 100" list experienced average sales growth of 20 percent. Furthermore, many large minority firms are major contributors to the tax bases of cities and suburban communities across the nation. Dr. Margaret Simms, vice president for research at the Joint Center and an economist and recognized authority on minority business, stresses the real economic impact that large minority-owned companies have on the economy. "There is a large and thriving sector of minority firms that does not fit the traditional perception of minority-owned businesses as small 'mom and pop' operations with no paid employees. The firms identified as candidates for MBRT membership (most not included in the Census data) contribute more than $33 billion to this nation's GNP. Through this organization, they will be able to provide input on national, regional, and local policy issues."

The expertise, perspectives, and experiences of minority business owners are unique and valuable. Many of these owners have based their companies in minority neighborhoods and intend to remain there as their companies grow. At the same time, consumers in regional and even national markets use many of the goods and services provided by minority-owned firms.

As part of its contract with the Department of Commerce, the Joint Center has already identified more than 200 minority firms that would be eligible to participate in the MBRT. (The pool of "top tier" firms that could be candidates for membership in the MBRT is much larger.) Membership is restricted to CEOs, and participation is by invitation only. Member firms are expected to have annual gross sales ranging from $20 million to more than $1 billion, and they employ between 80 and 4,000 workers. Firms in this category produce goods and services in a variety of industries, including publishing, transportation, manufacturing, health care, and staffing services.

"It is a pleasure to announce the Department of Commerce Minority Business Development Agency's participation in and funding of the Minority Business RoundTable," said U.S. Commerce Secretary William M. Daley. "I will continue to support the RoundTable in developing and increasing the competitiveness and the prosperity of minority businesses, which is critical in sustaining overall economic growth in the United States."

The private sector also has boosted the launch of the MBRT. On March 23, 1999, C. Michael Armstrong, chairman and CEO of AT&T, announced the award of a two-year grant of $500,000 for the implementation of the MBRT.

A 20-member steering committee consisting of CEOs of leading minority-owned corporations is being organized to guide the formation of the MBRT. Over the coming months, the Joint Center will draft a business plan for MBRT, conduct a telephone survey of minority companies, and develop background papers on key policy issues for consideration by the steering committee. "Our objective," said Williams, "is to develop a viable, independent organization of minority business CEOs in three years that will draw upon the Joint Center's managerial, policy research, and communications expertise." ■

Mr. Ruffin is the editor of FOCUS.

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How Can States Do Better?

Welfare reform is a work in progress. Much remains to be done to provide the services, support, and training that will allow low-income parents to secure jobs at sufficient wages to support their families. This applies both to parents who are receiving TANF benefits and to those who are working at low wages and are not TANF recipients. Far more information is needed about families who are leaving TANF rolls, not only those who have not secured jobs but also those who are working at low-wage jobs and are struggling to survive. The following are some additional recommendations that state and local governments should consider.

1. **Get More Information:** State and local officials are uniquely situated to ensure that data are collected about their states' TANF-related programs and low-income families, and that these data are made available to the public. Research on the impact of welfare reform on children, families, and communities should also be funded. In some communities, this type of research is already influencing the choices that public officials are making as they modify their TANF plans.
2. **Follow the Dollars:** State and local officials are positioned to help others identify precisely how state maintenance-of-effort dollars and federal TANF dollars are being spent. In some states, policymakers and the public have very limited access to basic information about how their states are using these funds.
3. **Invest Freed-Up Resources:** Resources that have been freed up as a result of declining TANF caseloads can and should be redirected to provide the needed support, services, and training to low-income working families who struggle to get by and to those families in which parents face obstacles to employment that have not yet been successfully addressed.
4. **Tap Into New Funding Sources:** Policymakers need to monitor whether states and local governments are applying for, obtaining, and using the funds available under the welfare-to-work, transportation, and housing laws to assist low-income families. Government officials who have not yet taken these actions must be encouraged to do so. It is important that these funds be used in coordination with TANF and MOE funds so that they expand the support available to families.
5. **Monitor Families' Access to Food Stamps and Medicaid:** Policymakers need to determine whether families in their states are receiving the food stamps and Medicaid for which they are eligible and to take steps to ensure that they receive these important, work-supporting benefits.
6. **Expand Health Care Coverage to Low-Income Parents:** As part of their effort to support low-income working families, states should exercise their discretion under federal law and provide coverage to the working parents of children in their Medicaid program. ■

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TRENDLETTER

POLITICAL REPORT

by David C. Ruffin

John Street Wins Philadelphia Mayoral Primary

Successfully campaigning on his partnership with Mayor Edward G. Rendell in putting Philadelphia back on a strong financial footing, former city council president John F. Street won the Democratic primary for mayor on May 18. Rendell, who is limited by law to two terms, was not a candidate in the race. To secure his victory, Street defeated five other contenders in what turned out to be an expensive and bare-knuckle contest. Street will go on to face Republican financial consultant Sam Katz in the November general election.

The main issue in the primary was the economy. Rendell, a popular two-term mayor, is credited with leading the transformation of the nation's fifth-largest city from near bankruptcy to recovery and robust health. Street, whose tenure as council president paralleled Rendell's tenure, was a crucial partner in that revitalization who pushed the mayor's initiatives through the council. The turnaround was particularly manifest in the renaissance of the city's downtown. The relationship between the two men paid off for Street, who benefitted from the mayor's strong endorsement and fundraising. Street was also helped by the endorsements of the city's major newspapers.

Street garnered 35 percent of the vote. He was followed closely by Marty Weinberg, city solicitor in the administration of former mayor Frank Rizzo, who served from 1972 to 1980 and had frequently antagonistic relations with Philadelphia's black residents. Weinberg won 31 percent of the vote. Running third, with 22 percent, was John F. White, Jr., the city's former public housing director. Three other candidates trailed farther back in the pack. Happy Fernandez, a former member of the city council, received 6 percent; Dwight Evans, who has served 18 years in the state legislature and is a former candidate for governor of Pennsylvania, got 5 percent; and Queena R. Bass got 1 percent.

Weinberg, a white candidate who has never held elected office, courted voters in Philadelphia's white working-class and middle-class neighborhoods. With a hefty campaign war chest of more than $5 million, he ran negative ads using TV clips from nearly two decades ago that showed a younger, more demonstrative Street, then a community activist, pushing a reporter and throwing a cup of water on a police officer. Weinberg also made much of Street's filing for personal bankruptcy on two occasions. Street, who raised $3.4 million, countered with ads condemning Weinberg's fomenting racial tensions. Philadelphia's population is 40 percent black. Weinberg also had to address questions about his long-time political relationship with Frank Rizzo, whose administrations as former Philadelphia police chief and two-term mayor were marked by police brutality and racially divisive policies.

In November, Street will take on Sam Katz, who was unopposed in his bid for the GOP nomination. Katz was unsuccessful in primaries for mayor in 1991 and for governor of Pennsylvania in 1994. If he prevails in the fall, Katz will be the first Republican elected to the office of mayor of Philadelphia since 1947. For now, Katz faces an uphill battle in the campaign, as Democrats outnumber Republicans in the city 7 to 2.

Street declared that with his primary victory, "We have communicated a message of hope." He promised to expand the last eight years' economic growth while rebuilding the city's residential neighborhoods, which many feel were neglected when the city was renewing its downtown. Education would also be a major priority. If Street is elected in November, he will be Philadelphia's second black mayor. The first was Wilson Goode, who served from 1984 to 1992.

Webb Reelected in Denver, Kirk in Dallas

On May 4, two-term Denver Mayor Wellington Webb easily won election to a third term with 80 percent of the vote. Webb, a Democrat, defeated three other candidates in a election where only 15 percent of the voters turned out. Webb's victory represents the first time in two decades that a race for mayor of Denver was won on the first ballot. The victory was attributed to voter approval of Webb's role in promoting economic growth and his deft administration of an efficient city government. But as in other major urban centers, the mayor's critics charge that the prosperity has benefitted the downtown while poor residential neighborhoods suffer. One of those critics was Rev. Gill Ford, another candidate in the race who is the pastor of Salem Missionary Baptist Church, located in a largely black area in the city's Northeast. Ford only received 7.5 percent of the vote.

First elected in 1991, Webb is Denver's first African American mayor. In 1972 he was elected to the Colorado House of Representatives from Denver's Northeast. Five years later, President Jimmy Carter named him regional director of the U.S. Department of Health, Education, and Welfare. In 1981, Colorado Governor Richard Lamm appointed him to the cabinet post of Executive Director of the Colorado Department of Regulatory Agencies.

In Dallas, Ron Kirk, who is that city's first African American mayor, won election to a second term on May 1 with about three-fourths of the vote. Kirk defeated immigration attorney Margaret Donnelly, who had 20 percent of the voter's support. Investor Billy Jack Ludwig got 5 percent. This was Ludwig's sixth mayoral bid since 1976. Over the last four years, Kirk had become one of the city's "big-project" mayors and has been credited with keeping the Dallas Mavericks and the Dallas Stars, the city's professional basketball and hockey teams, from moving away by pushing for the construction of a new sports arena. He also succeeded last year in winning approval for a major capital bond program. This includes $246 million for the Trinity River development project, which involves building a levee and toll road to stimulate growth of the southern portion of the city. He is also working to have the 2012 Summer Olympic games to located in Dallas. Many say that Kirk's greatest accomplishment has been fostering racial harmony in a city that has been dominated by a white power structure but where African Americans and Hispanics are now in the majority.

Kirk has broad political experience. Democratic governor Ann Richards appointed him secretary of state, and he served as a legislative aide to U.S. Senator Lloyd Bentsen. He was also chair of the Texas General Service Commission and between 1983 and 1989 he was the city's assistant city attorney.

David Duke Loses, Barely

It was a foregone conclusion that former Louisiana Republican Congressman David Livingston would be replaced by a conservative. The only question was, how conservative? As voters in the state's 1st congressional district went to the polls on May 1 in an open primary, five of the strongest contenders in the nine-candidate field were conservatives, including white supremacist and former Ku Klux Klan leader David Duke. The primary was held to select a replacement for Livingston, who resigned his seat in the U.S. House of Representatives last December amid a scandal over his extramarital affairs. He had just been elected by the House Republican conference to be speaker. The 1st district begins in the northern suburbs of New Orleans and stretches to the Mississippi border. It is a reliably conservative and Republican district where 85 percent of the registered voters are white.

No one candidate received a majority, but the top two finishers, both Republicans, were former governor and congressman David C. Treen with 25 percent of the vote and David Vitter, a state representative, with 22 percent. They will face each other in a May 29th runoff. Duke nearly made the cut with 19 percent.

The top three vote-getters in the race represent three profiles in Republican conservatism. Treen, at 70, became the first Republican from Louisiana to serve in Congress since Reconstruction when he was elected to the U.S. House of Representatives in 1972. He served on Capitol Hill until 1979, when he was elected governor, a post he held for one four-year term. Treen is considered by some to be a politician who should retire to elder statesman status. He casts a contrasting figure alongside the much younger Vitter, a 37-year-old whose views are more in tune with the conservatives who have ascended in the GOP since the late 1980s. Vitter, a Harvard graduate and Rhodes Scholar, has served for eight years in the state legislature.

Then there is David Duke, whose new book calls for an Aryan resurgence and voluntary homelands for minorities and who made a surprisingly strong showing in the election. One in five voters cast ballots for him. The man who was at one time an Imperial Wizard of the Ku Klux Klan and a member of an American Nazi group ran television ads in this year's campaign denouncing Kwanzaa and Malcolm X postage stamps. Duke has sought validation for his racist views over the past decade by seeking elected office as a Republican. He succeeded in winning a seat in the state house of representatives in 1989, and he won more than half of the white vote in unsuccessful races for the U.S. Senate in 1990 and for governor in 1991. ■

ECONOMIC REPORT

by Margaret C. Simms

Minority Business Development Agency Celebrates 30 Years

This year marks the 30th anniversary of the creation of the Office of Minority Business Enterprise, the predecessor to the Minority Business Development Agency (MBDA), in the U.S. Department of Commerce. Executive Order 11458, which established the original agency, was signed by President Richard M. Nixon on March 5, 1969. The order called for the Secretary of Commerce to coordinate and promote government activities that support the "establishment, preservation, and strengthening of minority business enterprise."

Although the agency has been targeted for elimination several times by some members of Congress, it has continued to support research and serve as an advocate of public and private programs for minority business development. During May, the MBDA will be celebrating its 30 years of service, so it seems appropriate to use this issue's Economic Report to examine two sets of proposals for changing the environment in which minority businesses operate. The first of these is found in the new rules for minority business eligibility set forth by the U.S. Department of Transportation. The second set of proposals is for government and private sector initiatives to improve access to capital for minority businesses.

Minority firms in the United States have grown at twice the rate of their white-owned counterparts in the past decade. However, minority firms cannot yet compete in the business world on an equal footing with majority firms, which suggests that special initiatives are still needed to allow minority entrepreneurs to be fully competitive. Those initiatives, however, must operate in the context of the new legal environment discussed below.

New Rules by the Department of Transportation

The U.S. Department of Transportation (DOT) has issued new rules for its minority business affirmative action programs. The new rules were necessitated by the Supreme Court's 1995 ruling in *Adarand Constructors v. Pena*, which struck down the types of federal minority business set-aside programs in common use at that time. The Court decision requires justification for any numerical goal or set-aside program to be based on the specific agency's past performance (as evidence of discrimination) and on the availability of minority firms in the specific industry to perform the work under bid.

DOT has had a disadvantaged business program (DBE) since 1982, when it was first authorized under the Surface Transportation Assistance Act. Under this program, states were required to make a good faith effort to award a certain percentage of federal highway and mass transit funds (usually 10 percent) to disadvantaged businesses, which includes many minority firms. Many state transportation agencies became the primary state-level entities responsible for certifying that firms were minority owned and controlled. Transportation was sometimes the only area in which states made special efforts to engage minority firms as contractors. Therefore, changes in DOT rules and regulations for DBEs are particularly important.

In contrast to the original DOT regulations, under the Transportation Equity Act for the 21st Century (TEA-21), which passed in 1998, the federal government will not set the goal for states to reach. DOT has declared, "The statutory 10 percent national goal [that appears in the legislation] is neither a floor nor a ceiling." Each state must set goals based on local evidence of the availability of minority-owned firms "capable and willing" to perform. Moreover, states are to rely primarily on "race-neutral" strategies, such as outreach, to attain those goals.

The new rules make it easier for white men to prove that they are socially and economically disadvantaged, thereby making them eligible to participate in DBE programs. At the same time, business owners whose personal wealth exceeds $750,000 (excluding the value of primary residence and ownership interest in the business) will not be eligible for participation, and those whose net worth crosses that threshold will cease to be eligible for contracts under the program. DOT says that, along with the provision that a firm's one certification (as a minority-owned business) will make it eligible for all DOT programs, the new certification rules will make it easier for eligible firms to enter the program. However, allowing states to set individual goals and, at least potentially, opening the door to a larger number of eligible firms could result in smaller contract awards to individual minority-owned companies.

Using Financial Capital to "Mainstream" Minority Business

Efforts to improve access to capital have not been as successful as those directed toward increasing access to government markets. Consequently, larger minority-owned companies find themselves in an awkward place: they are too large and successful to qualify for existing government lending programs, but they still face significant barriers to obtaining the capital needed to compete with firms of similar size within their industries. A new study proposes several bold initiatives that could significantly increase the flow of capital to relatively large minority companies.

The Milken Institute, a nonprofit economic think tank based in Santa Monica, California, was commissioned by the MBDA to develop new financial strategies to increase access to capital for minority firms. The Institute's efforts were informed by MBDA's Capital Access Task Force, which is chaired by Commerce Deputy Secretary Robert Mallett and includes Timothy Bates, a member of the Joint Center Economic Policy Advisory Committee.

The Milken Institute's recently released report, *Mainstreaming Minority Business: Financing Domestic Emerging Markets*, by Michael Harrington and Glenn Yago, cites a number of obstacles minority companies face in securing capital, one of which is the misperception on the part of financial institutions that all minority-owned companies are small and unprofitable. Figures cited by the authors show that close to 25,000 firms, each with more than $1 million in annual revenue, were identified in the 1992 Survey of Minority-Owned Business Enterprises (SMOBE) conducted by the Bureau of the Census.

Joint Center data indicate that this survey probably underestimates the size and influence of minority companies. Recent Joint Center research to identify at least 200 top-tier minority firms that would qualify for membership in the newly created Minority Business RoundTable (see "A Voice for Minority Business CEOs" in this issue of *FOCUS*) found that minority firms meeting established criteria averaged more than $176 million in gross sales, in contrast to the average of $4.3 million in sales for firms identified in the SMOBE survey.

The Milken study cites a survey referenced in the *Wall Street Journal* that indicates minority companies are too reliant on commercial bank lending for capital. This reliance is problematic because of changes in the banking and financial services industry. Over the past two decades, mergers in the banking industry have led to significantly more centralized and standardized lending practices, which work against smaller and minority firms because initial lending is often tied to judgments and personal knowledge about character and cash flow, and to close working relationships between borrower and lender. While banking has become more centralized, the financial services industry has become more diverse. A larger share of equity and debt capital is being provided by non-bank institutions. However, minority companies have not been able to access these institutions to the same extent as majority companies. The net effect of the two aspects of restructuring in the financial services industry is that capital markets are less accessible to minority companies.

Harrington and Yago propose a number of policy innovations and initiatives to "build a capital market that could finance the domestic emerging market of minority businesses" and "result in new profitable opportunities for private investors that are competitive." Some recommendations are directed toward the federal government, and others are directed toward the formation of new instruments and markets that operate primarily in the private sector.

Because information gaps contribute to financiers' reluctance to invest in or lend to minority companies, the report recommends that the federal government initiate an information-gathering effort that would lead to a database documenting minority business loan portfolios. Such a database would improve lenders' and investors' ability to assess the risks of putting capital into minority-owned companies. The report also provides recommendations for deregulating and reforming existing government programs, including the Community Reinvestment Act and the Small Business Administration's Small Business Investment Company program, to increase their capacity to provide capital funds and to align their efforts more closely with the new financial markets.

A major recommendation for the private sector would increase access to capital by creating a secondary market, similar to those used in mortgage markets. This would involve the packaging of seasoned loans into a collateralized bond obligation (CBO) or collateralized loan obligation (CLO). In effect, these pools contain a mix of loans that are balanced in terms of risk and are sold or transferred, providing cash to the original lenders for a new set of loans. Special minority business CLOs could be established, with the public sector assisting in underwriting or limiting transaction costs in their construction.

Clearly, the capital needed by growing minority firms exceeds that available from government programs. The proposals set forth in the Milken study deserve serious consideration if the objective of making entrepreneurship a vehicle for wealth accumulation is to be achieved. ■