

ENTREPRENEURSHIP IN THE NEW ECONOMY

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ENTREPRENEURSHIP IN THE NEW ECONOMY

WEDNESDAY, NOVEMBER 3, 2021

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,

Washington, DC.

The Committee met, pursuant to call, at 10:03 a.m., in Room 2360, Rayburn House Office Building, Hon. Nydia M. Velázquez [chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Golden, Crow, Davids, Phillips, Newman, Chu, Evans, Delgado, Houlahan, Andy Kim, Craig Luetkemeyer, Williams, Stauber, Meuser, Tenney, Garbarino, Young Kim, Van Duyne, and Salazar.

Chairwoman VELAZQUEZ. Good morning. I call this hearing to order.

Without objection, the Chair is authorized to declare a recess at any time.

I would like to begin by noting some important requirements. Standing House and Committee rules and practice will continue to apply during hybrid proceedings.

All Members are reminded that they are expected to adhere to these standing rules, including decorum. House regulations require Members to be visible through a video connection throughout the proceedings, so please keep your cameras on.

Also, remember to remain muted until you are recognized to minimize background noise. If you have to participate in another proceeding, please exit this one and log back in later.

In the event a Member encounters technical issues that prevent them from being recognized for their questioning, I will move to the next available Member of the same party and will recognize that Member at the next appropriate time slot provided they have returned to the proceeding.

For those Members and staff physically present in the committee room today, in accordance with the Attending Physician's most recent guidance, all Members and staff who attend this hybrid hearing in person will be required to wear masks in the hearing room.

Furthermore, all Members and staff who have not been fully vaccinated must also maintain six-foot social distancing from others.

With that said, Members will be allowed to briefly remove their masks if they have been recognized to speak.

With that, let me start my opening statement.

Since the 1980s, America has largely been in a slump when it comes to new business formation. This fact rarely generates headlines or garners attention in the media, but its implications are severe.

New businesses make up the foundation of our economy. Entrepreneurs that launch enterprises and products are the catalysts for American innovation.

The statistics paint a startling picture of the state of our country's entrepreneurial environment over the past four decades.

In 1980, 12 percent of employers were new businesses. By 2018, this figure had dropped to 8 percent. In 1982, 38 percent of all businesses were new firms, compared to just 29 percent in 2018.

In 2018, larger corporations were doing quite well, but small firms were exiting the market at a higher rate than they were being started.

This was the state of American startups in March of 2020 when the pandemic began to intensify. As COVID spread and businesses closed, our country was staring down an unprecedented economic crisis.

Using the Great Recession and its aftermath as a guide, experts predicted that the pandemic would continue to drop the rate of business startups to new lows. Despite the dire forecast, American entrepreneurship didn't crater during the pandemic—it flourished.

In 2020, Americans filed paperwork to start 4.3 million new businesses. This figure represents a 24-percent increase from 2019, and by far, the highest number over the past 15 years.

Many of these businesses didn't look like traditional small firms. As the pandemic drove commerce online, these new enterprises were primarily concentrated in the nonstore, online retail sector.

The entrepreneurs starting these new businesses also reflected the diversity of the American population in the 21st century. Black and Hispanic communities led the way in launching new companies.

Young entrepreneurs dealt with the tough job market by pivoting toward entrepreneurship to develop businesses and products to serve their communities.

No one factor fully account for this entrepreneurship boom. Lay-offs, a favorable credit market, and federal stimulus efforts all helped lay the ground work for this record rise in new businesses.

So today I hope that this hearing allows us to better understand this entrepreneurial revival and apply those lessons moving forward. The pandemic disrupted many areas of American life, not least of which being the nature of work.

The challenges facing this new generation of entrepreneurs aren't identical to the problems of the pre-pandemic economy. We must work to understand these new challenges and find ways Congress can better support them in the post-pandemic world.

It is also vital that we grasp why entrepreneurship flourished during COVID and what can we do to sustain that increase in the future. COVID closed countless small businesses and left many others on the brink of disaster.

Yet, at the same time, it is possible the pandemic set in motion a revitalization of American entrepreneurship. Today I look forward to hearing from our witnesses about the journey that led them to start a business and how this committee can support them and others like them in the future.

I now would like to yield to the Ranking Member, Mr. Luetkemeyer, for his opening statement.

Mr. LUETKEMEYER. Thank you, Madam Chair, and good morning. We meet today for a hearing on entrepreneurship in the new economy. Regrettably as we have all witnessed over the past year, the outlook for our nation's entrepreneurs is dismal.

Small businesses, small business owners, entrepreneurs, and startups are known to be resilient and skillful, easily adapting to changing conditions. They are fast and can adjust to meet the needs of their customers. They can pivot with speed and capture market share.

These small business attributes, along with vigilant risk-taking and investing, are key ingredients to a growing economy.

The COVID pandemic, coupled with Biden and the Democrats' failed economic policies have brought severe economic challenges to main street USA. Entrepreneurs across the country, from both coasts to the middle of the country, face incredible obstacles.

This fall economic growth ground to a halt as all businesses confronted by severe supply chain disruptions, ongoing labor shortages, skyrocketing inflation, higher costs of nearly everything, and threats of tax increases from the Democrats.

To follow, an overreaching vaccine mandate has been proposed with very limited information.

Small business owners and the entrepreneurs require clear and concise rules and information to make business decisions. Uncertainty can't be part of their business model. Unknown next steps bring their planning to a complete halt.

With each of these issues coming to the forefront, let's review them. We can begin with supply chain disruptions and higher costs. Small businesses, which operate on thin margins, have been shocked by recent supply chain failures.

NFIB September Economic Trends survey found 90 percent of small businesses have been affected by these disruptions, and nearly half of all small businesses experience product delays from their suppliers.

With empty shelves continuing to be a common sight in our local communities, the fourth quarter and the holiday season could be a rough stretch for the nation's job creators.

At the same time, demand for goods has increased, pushing prices even higher.

Labor. Across all industries, labor shortages have hindered the ability of companies to get products made, shipped, unpacked, and transported. Once the products and goods have arrived, the businesses often do not have a full staff ready to meet and greet customers.

The Biden administration's worker shortage means that employers now have 10.4 million job openings. Let me repeat that: 10.4 million job openings, and no one willing to fill them. NFIB found 51 percent of small businesses have unfilled job openings, a staggering and record number.

In addition, employers are facing record numbers of workers quitting their jobs. And, according to the Federal Reserve, the pandemic has resulted in a record 3 million early retirements.

This is a dreadful situation as we head into what should be the busiest time of the year for businesses: the holiday season.

Inflation. Despite the Biden administration's denials, it is very clear that inflation is no longer temporary or transitory. In October, the Department of Labor reported that the Consumer Price Index, one trusted measure of inflation, is now at a 13-year high of 5.4 percent.

Even the Federal Reserve Chairman, who has insisted for months that inflation is transitory, recently admitted that inflation is expected to remain high well into next year. Overall, inflation means higher prices for small businesses, along with higher prices for their customers.

Tax increases. Could there be a worse time to threaten entrepreneurs and small firms with tax increases? In February, President Biden said the U.S. had lost more than 400,000 businesses since the pandemic began, and many more were at risk.

Yet the Biden administration and congressional Democrats have proposed a huge number of tax increases to fund their massive spending programs. We are not sure, however, which tax increases are still on the table, although it seems to be changing by the minute. But surely the last thing small businesses need coming out of a pandemic are tax increases.

Employer vaccine mandates. In September, President Biden announced that his administration is developing a regulation that would require all private sector employers employed by a business with a hundred or more employees to be vaccinated or submit to weekly testing.

According to the Society of Human Resource Management, 89 percent of employers fear at least some of their employees will quit as a result. The uncertainty surrounding these rules is putting the brakes on small businesses as they try to get back on their feet and serve their communities.

A labor shortage crisis, accompanied by an employer vaccine mandate, are a grave threat to American small business prosperity. How much more can small businesses withstand? Taken alone, each of these policies is devastating, but taken together, their impact is likely to have serious, long-term consequences for entrepreneurship.

Madam Chairwoman, we should be enacting policies that will empower entrepreneurs. Attentive risk-taking and investing are what will grow our economy. However, entrepreneurs are facing an economic storm that is preventing this progress.

I appreciate our witnesses being with us today. I look forward to the testimony.

With that, Madam Chair, I yield back.

Chairwoman VELÁZQUEZ. Thank you, Mr. Luetkemeyer. The gentleman yields back.

I would like to take a moment to explain how this hearing will proceed. Each witness will have 5 minutes to provide a statement, and each Committee Member will have 5 minutes for questions. Please ensure that your microphone is on when you begin speaking and that you return to mute when finished.

With that, I would like to introduce our witnesses. Our first witness today is Ms. Ellie Diop, CEO of Ellie Talks Money. Ms. Diop was laid off from her corporate job months before the pandemic. After submitting over 50 job applications, Ms. Diop capitalized on

her \$1,200 stimulus check and entrepreneurial spirit to create her business.

Ellie Talks Money is an online coaching and consulting service for aspiring and established business owners that was able to build a net worth of over a million dollars in less than 1 year.

Welcome, Ms. Diop.

I would like to yield to Ms. Newman to introduce our second witness.

Ms. NEWMAN. Thank you, Madam Chair and Ranking Member. I am proud to introduce Mr. Andrew Fogaty, a resident of the great State of Illinois and from my district. He currently serves as both the director of the Illinois Small Business Development Center at the Greater Southwest Development Corporation and as executive director of the 36Squared Business Incubator, both in Chicago.

In addition, he serves as a mentor with the Gallery Incubator in Evanston, Illinois.

For over 12 years, Andrew has led local economic development initiatives, help launch nearly 70 companies, served as an adviser to more than 300 others, and facilitated more than \$40 million in funding for his clients.

In 2017, he founded an all-abilities business incubator in the 36Squared building on the Chicago southwest side and was selected at the 2020 State Star by the Illinois Small Business Development Center Network.

I just have to tell you on a personal note that Andrew is quite amazing, and we are so proud to have him in our district. But it is a pleasure to welcome Mr. Fogaty to speak today.

Thank you, Chairwoman, and I yield back.

Chairwoman VELAZQUEZ. The gentlelady yields back.

Our third witness is Ms. Stephanie DeVane, the Vice President of entrepreneurship and business development at the National Urban League. The National Urban League is a historic civil rights organization dedicated to economic empowerment of historically underserved urban communities.

As the Vice President of entrepreneurship and business development, Ms. DeVane manages, oversees, and advocates on behalf of 12 entrepreneurship centers located in key affiliates. In this capacity, her division supports these affiliate small business programs through capacity building and programming sub grants and by providing them with training and technical assistance.

Welcome, Ms. DeVane.

I would now like to yield to the Ranking Member, Mr. Luetkemeyer, to introduce our final witness.

Mr. LUETKEMEYER. Thank you, Madam Chair.

Our next witness is Raymond J. Keating. Mr. Keating is a chief economist with the Small Business and Entrepreneurship Council, or SBE. He writes and speaks on a wide range of issues impacting the entrepreneurship sector of the economy.

His areas of expertise include taxation, monetary policy, federal, state, and local budgets, regulation, and economics. He has written hundreds of articles with pieces published in The Washington Post, Wall Street Journal, Boston Globe, Chicago Tribune, and Investor's Business Daily.

Mr. Keating holds an M.A. in economics from New York University and an MBA in banking and finance from Hofstra University, and a B.S. in business administration and economics from St. Joseph's College.

I want to thank all the witnesses for joining us today.

And, with that, Madam Chair, I yield back.

Chairwoman VELAZQUEZ. Thank you, Mr. Luetkemeyer.

Thank you all for being here today.

Ms. Diop, you are recognized for 5 minutes.

STATEMENTS OF ELLIE DIOP, CHIEF EXECUTIVE OFFICER, ELIZA REVELLA CONSULTING SERVICES, LOS ANGELES, CA; ANDREW FOGATY, EXECUTIVE DIRECTOR, 36SQUARED BUSINESS INCUBATOR, CHICAGO, IL; STEPHANIE E. DEVANE, VICE PRESIDENT OF ENTREPRENEURSHIP & BUSINESS DEVELOPMENT, NATIONAL URBAN LEAGUE, NEW YORK, NY; AND RAYMOND KEATING, CHIEF ECONOMIST, SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL (SBE COUNCIL) VIENNA, VA.

STATEMENT OF ELLIE DIOP

Ms. DIOP. Thank you. Good morning, Members of the Small Business Committee—oh, there we go. Sounds a lot better. Good morning, Members of the Small Business Committee. I am very grateful to be here. My name is Ellie Diop, and I am CEO and founder of Eliza Revella Consulting Services, also known as Ellie Talks Money. I have a business coaching and consulting company that I started in the pandemic.

So my path and journey to entrepreneurship is not like many others. I am also a mother of four, and as you mentioned in introducing me, I wanted to get another job after being laid off before the pandemic began. And I did apply feverishly to several jobs, over 53 in fact.

And my experience is one in corporate America. I have served as director of sales for over 3 years, but I was not able to find employment. And so, when the stimulus checks, when I knew that they were coming, I began to make a plan on starting a business with that small—what I was looking at as a capital investment.

And I conducted market research and really analyzed what did other businesses need at this time, what—where are businesses struggling, you know, and I did this market research by leveraging social media.

And so I came to the determination that other small businesses really needed assistance in sales, which is something I was very good at. They needed assistance in finding funding, something I also knew how to do.

And so, when I received the stimulus check, I put it to use and purchased things like a website, a domain, a new phone, a ring light, all things that I knew I would be able to use to build a brand and build a following online.

And so, with consistency, dedication, and posting content on social media about three to five times per day, in 10 months, I was able to net \$1.3 million. And that is sheerly by having the access to entrepreneurship.

So I share with my clients all of the time, and as their coach, I am giving them the tools and strategies that they need to scale their own businesses by leveraging what we have, which is the internet and social media.

And, because I started this with, you know, \$1,200, I am always reminding them that you don't need a large sum of money or a large capital investment in order to make a lot of money in your business. It is just about utilizing the right strategies. It is about staying committed. It is about staying dedicated and leveraging what we have available to us.

So now I am very grateful that the business has grown, and I have been able to employ, myself, five people. It is a very, you know, amazing turn of events, being that it was so challenging for me to find a job. Now I am in a position where I can actually create jobs.

And my goal for 2022 is to increase our staff to 10, hopefully, and to continue from there, but definitely where the biggest success in this entire accomplishment truly is, is just that I have been able to show and inspire people, over 300,000 people, that if I can do this, so can you.

You know, a lot of—there is a misconception that entrepreneurship, or the ability to start a business, is one that begins with a silver spoon in someone's mouth. But I think that my journey has been able to show people that, regardless of where you are starting with, even as, you know, a mother, just coming out of a divorce, single mother trying to find a job, you can actually take the circumstance that you are given and completely change the narrative and change the scenario.

So we live in a time where entrepreneurship is truly more accessible than ever, and given the right tools, small business owners can absolutely repeat what I have been able to do.

Now, you don't need to have money to pay for advertising. You don't need to always have a lot of connections. You need to have grit. You need to have resilience. You need to have dedication and commitment to what product you want to sell.

And now, with platforms like social media—Instagram, Facebook, Twitter—all platforms that I have leveraged, you are able to go directly to your audience and make the sale.

We don't have to go through all of these complicated channels, which actually gives small businesses a higher opportunity to thrive and survive than we may have had 4 or 5 or 6 years ago.

So I am very grateful to be able to share my experience and my success and entrepreneurship with you all and thank you.

Chairwoman VELAZQUEZ. Thank you, Ms. Diop for that inspiring story, it is really rewarding to know that there is a role for the federal government to play, particularly by empowering women like yourself.

Now I will recognize Mr. Fogaty for 5 minutes.

Mr. Fogaty, please unmute yourself.

Mr. FOGATY. I was afraid that would happen. Good morning, Chairwoman Velázquez—

Chairwoman VELAZQUEZ. We cannot hear you, Mr. Fogaty.

Mr. FOGATY. Really? I am unmuted. Can you hear me now?

Chairwoman VELÁZQUEZ. Mr. Fogaty, we are going to correct the technical issues, and now we will recognize Ms. DeVane.

Ms. DEVANE. Chairwoman Velázquez, Ranking Member—

Chairwoman VELÁZQUEZ. Ms. DeVane, please unmute yourself.

Ms. DEVANE. I am also unmuted.

Chairwoman VELÁZQUEZ. The problem is here.

Mr. FOGATY. I should say I can hear Ms. DeVane.

Ms. DEVANE. And I can hear Mr. Fogaty.

Chairwoman VELÁZQUEZ. We are going to take a brief recess until HRS address the issue.

[Recess.]

Chairwoman VELÁZQUEZ. This hearing is called to order.

Now we recognize Mr. Fogaty for 5 minutes.

STATEMENT OF ANDREW FOGATY

Mr. FOGATY. Thank you very much and good morning, Chairwoman Velázquez, and distinguished Members of the Committee. Again, my name is Andrew Fogaty. I am with the 36Squared Business Incubator in Chicago.

I also oversee two of the Illinois Small Business Development Center locations, one at 36Squared and one at the Greater Southwest Development Corporation. Both locations are also part of the City of Chicago's Neighborhood Business Development Center Program.

What this means is that myself and my colleagues, both across the city and the State, provide business assistance, training, and advising to area residents at no charge.

I want to thank Congress for inviting me to participate in this hearing and also for the quick action that was taken last year with programs like the Economic Injury Disaster Loan, Paycheck Protection Program, and CARES Act funding.

Given that this was the first time that an unforeseen disaster affected virtually every business in the country at the same time, I think that the actions of Congress and the SBA were key to averting what could have been a much more serious crisis.

These programs continue to help save businesses across the country, so again thank you for that.

That being said, the small business landscape has changed, and serious challenges remain. The subject today is "Entrepreneurship in the New Economy," and my testimony will focus on four main areas: access to capital, reducing the digital divide, manufacturing, and working with underserved communities.

Access to capital for small businesses, and especially startups, remains a challenge. In fact, if a business needs a small loan of \$10- or \$20,000, I am only aware of one bank in Chicago, CIBC, that actively markets programs to meet that need.

There are, of course, also some nonprofit lending options. However, these are typically at a higher interest rate and less desirable than a bank loan.

I would like to see more banks offering micro lending and startup funding, and I would like to see the reporting process for lenders streamlined to make small business lending more attractive.

It is my understanding that there is legislation now that may—on the books right now—that may significantly increase reporting

requirements in all small business loan applications, and I am concerned that this may negatively impact my clients.

Access to capital is key to supporting entrepreneurship in the new economy.

Next, I would like to address computer literacy. The digital divide is real, especially in underserved communities. Today, computer literacy and basic business training are as key to an entrepreneur's success as being able to read or write was 20 years ago.

We need to do better with this by making basic computer skills training and business assistance programs widely available across the country.

In fact, when CARES Act funding ends next fall, many small business development programs across the country will actually see a decrease in capacity, and this is a concern.

Next, I would like to address manufacturing. Last year's difficulty in obtaining vital PPE supplies and this year's supply chain issues demonstrate a clear need to support our domestic manufacturing capabilities.

Certainly a simplification of the federal procurement process would be a start.

And, finally, I would like to discuss the underserved population. Here on Chicago's south side, we have a diverse and vibrant small business community, including a significant number of immigrant business owners who hold ITINs instead of Social Security numbers. Currently these business owners are shut out of most SBA lending programs.

I certainly don't presume to jump into the immigration debate. However, if a business seeks to expand, buy equipment, a building, or create jobs, I would like to be able to present the same options to all my clients.

Perhaps the most disadvantaged of the underserved populations are the disabled people. Advances in technology and making small business ownership—are making small business ownership a much more viable option for our disabled population.

This is a trend that is only going to increase in the coming years. I would like to see more of an effort made to include these entrepreneurs into the wider business development world.

Thank you again for having me, and I look forward to your questions.

Ms. VELÁZQUEZ. Thank you, Mr. Fogaty.

Ms. DeVane, you are recognized for 5 minutes.

STATEMENT OF STEPHANIE E. DEVANE

Ms. DEVANE. Chairwoman Velázquez, Ranking Member Luetkemeyer, and Members of the House Committee on Small Business, thank you for the opportunity to testify at today's hearing titled "Entrepreneurship in the New Economy."

My name is Stephanie DeVane, and I am the Vice President of Entrepreneurship and Business Development at the National Urban League. I bring you greetings on behalf of Marc Morial, our president and CEO.

The National Urban League is a historic civil rights community-based organization dedicated to economic empowerment and the

guarantee of civil rights for African Americans and other underserved communities in America.

We are a national nonprofit intermediary and provide direct, comprehensive services that improve the lives of nearly 2 million people each year. We are a network of 91 Urban League affiliates and the District of Columbia.

In my role, I manage, oversee, and advocate on behalf of 12 Urban League Entrepreneurship Centers, which provide management, counseling, mentoring, and training services for entrepreneurs looking to start, grow, or scale their business.

While the typical client of the Entrepreneurship Center program is a low- to moderate-income African-American woman with an existing business, our centers also serve Caucasian, Hispanic, Asian-American entrepreneurs.

In 2020, our centers helped approximately 23,928 participants secure \$108.6 million in financing and contract opportunities, as well as save or create 714 full- or part-time jobs through our counseling and training services.

The COVID-19 pandemic and resulting economic disruption has disproportionately impacted minority businesses and also exacerbated existing structural inequities in small business lending.

In April 2021, a Federal Reserve survey found that minority-owned businesses were simultaneously hardest hit by pandemic-related closures and were only half as likely as White-owned firms to receive the necessary Paycheck Protection Program small business relief funding they needed to pay their workers and stay afloat.

For minority-owned business, the racial wealth gap and implicit bias have made securing access to capital exceedingly difficult.

During the pandemic, our entrepreneurship centers conducted training, workshops, and counseling sessions through digital and telephonic means with clients. We hosted webinars to guide entrepreneurs experiencing cash flow issues through the disaster loan application process and provided links to resources to help entrepreneurs develop disaster recovery plans.

From June 1, 2020, through May 31st of this year, with support from a CARES Act MBDA award, our centers helped 11,250 businesses secure \$137.6 million in financing and contract opportunities, as well as save or create 1,174 full- and part-time jobs, with over 15,800 hours of counseling and over 33,000 hours of training.

Specifically, our services were directed at providing COVID relief to minority businesses lacking access to capital or with inadequate financial management practices and less flexible operating models.

We also received support through the PepsiCo Foundation to run our Black Restaurant Accelerator Program which is helping keep the doors of small businesses and food-and-beverage industries open.

One of the program's beneficiaries is Beaucoup Eats, a New Orleans neighborhood eatery that provides full-service catering and meal prep services. Here is what owner Keisha Reed had to say about the program: "The grant from PepsiCo allowed us to purchase three tents, which meant we could serve at least 50 people, and overhead costs were lowered. Given the current 72-hour test and vaccine card mandate for inside eating and the inside reduc-

tion, we were only able to accommodate 6 to 10 people on the inside at any given time. Without the assistance of the grant, we wouldn't be able to generate the revenue needed to stay in business during this ongoing pandemic."

I also note that the National Urban League was just awarded a \$5 million Small Business Administration Community Navigator Award, which will allow us, through 25 Urban League affiliates, to reduce barriers for minority-owned businesses through critical support and resources.

Last year, Black-owned businesses saw a surge in sales corresponding to the rise of the Black Lives Matter movement. However, as public support for it began to stagnate, business owners saw sales level off.

In the new economy, Black-owned small businesses continue to experience lower paths returning to pre-pandemic employment levels and face a more uncertain future recovery relative to their peers.

Many Black-owned businesses continue to lack access to capital needed to fully recover due to implicit bias and the legacy of racism.

To ensure a full economic return for minority-owned businesses in this new economy, we urge Congress to enact civil rights protections and guardrails that will reduce any racial disparities in access in capital, while increasing access to prime government contract opportunities, mentorship, minority incubator support, and technical skills training.

Please see my submitted testimony for more detailed recommendations.

On behalf of the National Urban League, thank you for the opportunity to testify. I look forward to your questions.

Ms. VELAZQUEZ. Thank you, Ms. DeVane.

Now we recognize Mr. Keating for 5 minutes.

STATEMENT OF RAYMOND KEATING

Mr. KEATING. Chairwoman Velázquez, Ranking Member Luetkemeyer, Members of the Committee, thank you for hosting this important hearing.

My name is Raymond Keating. I am chief economist with the Small Business and Entrepreneurship Council. For more than 26 years, SBE Council has worked to strengthen and improve the ecosystem for startups and small business growth.

As you all know, entrepreneurs take on risks and uncertainty in order to innovate, introduce new products and services, and find better ways to do things. And, by doing so, they boost productivity, enhance competition and choice, fuel economic growth, and create new jobs.

Indeed, entrepreneurs, along with the investors who are essential for funding startups and business growth, are central to the economic income and employment growth we all want to see happen.

For our economy, in my written testimony, I look to key indicators on where we stand right now. By the second quarter of 2021, entrepreneurs, investors, businesses, and workers had worked to get the economy back to where it was pre-pandemic.

However, we still face the task of getting back to where we should be, given the lost growth, and then maintaining strong growth thereafter.

Unfortunately, 2 percent real GDP growth, which is where we stood in the third quarter, is anemic under normal circumstances. At 2 percent growth, U.S. economic underperformance will be extended far into the future.

We need to do much better, and that will depend significantly on the state of entrepreneurship.

So I go on to look at various measures of entrepreneurship in my testimony. It is clear that entrepreneurship was lagging well before the pandemic. It suffered when COVID hit, and it has struggled to come back in many ways.

But hope can be found in the trend in new business applications. After suffering big declines when the pandemic first struck, the number of business applications quickly skyrocketed beyond where they had been prior to the pandemic and have remained at elevated levels.

The historical relationship between such applications and actual business formations indicates that they are, again, as reason for hope. Although, it must be noted that a pandemic economy is uncharted waters.

At the same time, the expansion of what many call the gig economy would support this data, as would more people positively considering entrepreneurship due to their pandemic experiences, as we have heard here already.

As for challenges for entrepreneurs, there are many, some being evergreens and others specific to our current situation. For example, a key evergreen, again, is financing. We have heard people talk about that already.

As businesses reach various stages, though, angel investors and venture capitalists, for example, become vital for providing the funds to fuel innovation and growth.

And regarding our current situation—again, in my written testimony, I explore the labor shortages, supply chain challenges, and inflation—these are all quite real and quite significant issues, creating problems, risks, and uncertainties.

Of course, there are also expanding opportunities for entrepreneurs. I highlight two areas in my written testimony. The first is technology. Whether generating new products, improving and enhancing production, and/or expanding distribution, technological advancements in areas like computer, digital, and broadband technologies, for example, have served to expand opportunities for entrepreneurs.

Social media, again, as we have heard, for instance, has served to help create and transform businesses.

A second major area of expanding opportunities for entrepreneurs is the international marketplace. Technology advancements coupled with economic growth abroad have opened doors in the international arena for entrepreneurs.

Keep in mind that some 95 percent of the world's consumers are outside the United States, and as the data show, international markets are not the near exclusive domain of large businesses, as many assume.

Finally, in this, getting the public policy mix right is always critical for our economy and for entrepreneurship, but getting it right becomes even more critical as we struggle to emerge from a pandemic economy.

I just offer what I call a pro-entrepreneur policy framework in my testimony: Avoiding tax increases and providing substantive and permanent tax relief that enhance incentives for starting up, building, and investing in businesses.

Emphasizing regulatory relief, not imposing additional regulatory burdens. If anyone understands the cost of regulation, it would be small business owners, especially as those costs mount with more and more regulations imposed, you know, regulation after regulation.

Advancing free trade is critical. Reducing—meaning, you know, reducing government-imposed cost on trade such as tariffs is pro-growth, and the U.S. really needs to reclaim its global leadership role on trade.

Also, implementing a constructive immigration policy agenda that expands avenues of immigration for those who wish to contribute by working and starting businesses, while enhancing security, of course, to keep out terrorists and others who would do us harm.

That is a pro-entrepreneur framework that we put forward. Thank you again for your invitation to be part of this hearing today, and I look forward to any questions.

Ms. VELÁZQUEZ. Thank you, and thank you to all our witnesses. We really appreciate all you have shared with us today.

I will begin by recognizing myself for 5 minutes, and I would like to address my first question to Ms. DeVane.

As Americans quit their jobs in record numbers, women are leading the change in what is known as the great resignation. Ms. DeVane, what shift in the labor force occurred during the pandemic to make women more likely to launch a small business?

Ms. DEVANE. Thank you for that question, Chairwoman Velázquez. My experience, through our entrepreneurship center, is that many of the women that started businesses during the pandemic had been laid off from their jobs, similar to Ellie, who told her story.

Many of these women business owners had decided at that point to start their own business. Some of them were passion projects. Some of them were built out of necessity. But many of the business owners that we saw were women, and they were using that opportunity to start businesses.

They use and utilized our centers, which had technical assistance services, counseling and mentoring and training services to start businesses.

In addition to that, many of them saw opportunities through grant programs that the National Urban Leagues and other organizations made available that were specifically for women-owned businesses to start and grow their businesses.

In addition to that, there were grants available for minority women-owned businesses to help undergird some of the training that we were providing to them.

Ms. VELÁZQUEZ. Thank you for that answer.

Ms. Diop, what advice do you have for others that are considering starting a business during times of uncertainty?

Ms. DIOP. Thank you, Chairwoman Velázquez, for that question.

I would definitely advise women who want to start businesses in a time of uncertainty, or any time, to utilize the resources that they have available to them to the fullest extent.

And that may be monetary, but also I would advise them to utilize the resources within themselves. Many times we don't realize that the experience we have gained in jobs or in life can directly lend to success in business.

And I know for myself, everything that I have put into my coaching and consulting business are skills and experience that I have gained throughout corporate America and just throughout college and all of the experience that I have.

So I think that is a number one thing is to—I always teach my clients to make a list of everything you know how to do, your experiences, your knowledge, your skills, and pull a business from that list. That way you are more guaranteed to succeed because you are naturally working within something you already know how to do rather than venturing off into a business that you think you should start based on what, you know—

Ms. VELAZQUEZ. Thank you. Thank you for that answer.

Mr. Fogaty, during the pandemic, many businesses have struggled to adapt to the changing nature of work and have faced challenges with supply chain issues, access to capital, and employee retention. Can you please describe your role at the 36Squared Incubator and how a \$1 billion investment in incubators in the Build Back Better Act will help create more entrepreneurs?

Mr. FOGATY. Certainly. Well, I certainly agree with the testimony of the previous witnesses.

What we do is provide assistance and support, not only through the SBDCs; I also have colleagues in the ITCs, International Trade Centers. This is a network of professionals who, at no charge, will help manufacturers and facilitate their exports, as Mr. Keating alluded to.

We also have what is known—I also have colleagues who are what is known PTACs, Procurement Technical Assistance Centers, and these are available across the country, as are SBDCs and ITCs. The PTACs will facilitate and assist entrepreneurs with getting government contracting.

We are also in—the city of Chicago has Neighborhood Business Development Centers. So my point is there is a lot of free assistance out there. We don't have all the answers, but we have a number of resources so that we can find the answers.

And I think it is important to support small business development centers, entrepreneurship centers, incubators, as they reach out and try and guide entrepreneurs and small businesses through this time.

Ms. VELÁZQUEZ. Thank you.

Mr. Keating, I just ran out of time. Maybe if we go into a second round, I will be able to ask you a question. Thank you very much.

Now I recognize Mr. Williams, Vice Ranking Member of the Committee, for 5 minutes.

Mr. WILLIAMS. Thank you, Madam Chairwoman, and I want to thank our Ranking Member too, and witnesses for being here today.

Every American can see that our country is facing one of the worst supply chain stories in history. I see it firsthand. I am a car dealer—I have been for 51 years—employ hundreds of people, and I can tell you, it is serious.

And U.S. ports are struggling to unload deliveries, and inventory is just sitting on container ships in the middle of the ocean.

Families are preparing for the most expensive Thanksgiving meal ever, and we are told that by the administration, and worry if Christmas gifts will even be available.

This supply chain crisis has become a substantial issue for small businesses across the country, forcing business owners to make operational adjustments in order to compensate for the lack of inventory and revenue.

So, Mr. Keating, what are small businesses who operate on fixed margins to do when they don't have a product to sell or can't afford to pay their workers, and what do you think the long-term effects of these supply chain disruptions will have on our economy?

Mr. KEATING. Well, I agree with you a hundred percent, and in terms of small businesses owners, they are being impacted more so than large firms just because they operate on such thin margins.

You know, the long-term issue—listen, in the short term, this is going to be an issue that we need government to not impose additional burdens, like I mentioned in my testimony—taxes, regulations, things like that—provide relief where they can, and then the private sector is going to work through this.

It is going to be very painful. It has already been very painful.

And then the question is how—you know, long-term effect. The long-term effect is going to be determined by how many businesses survive these issues and these problems. We have already seen what the pandemic has done.

I mean, various surveys, you know, either we have lost hundreds of thousands or even millions of small businesses during the pandemic. So now we have got this additional issue of working through trying to get back to where we were at least. And the long-term impact is going to be, again, how many small businesses have we lost.

Again, I take some hope in those business application numbers, where you see people think—at the very least, they are thinking about entrepreneurship as an option, and that is what we are going to need going forward.

Mr. WILLIAMS. Perfect. Let's talk about inflation. It is still on the rise, and hardworking Americans are paying more for food, gas, and other utilities. And a recent report by the Department of Labor showed that inflation has spiked to 5.3 percent, a record high in 13 years.

So, meanwhile, Democrats continue their push to inject over \$3 trillion of new federal spending into the economy and threatening to worsen inflation for months or years to come.

So the Biden administration refuses to acknowledge the risk of hyperinflation. They argue that proposed spending packages are fully paid for and will have no impact on inflation.

So, again quickly, Mr. Keating, in your testimony, you state that the inflation numbers are undeniable, and can you talk briefly about the current impact on inflation, whether you think it is transitory like the Federal Reserve argues?

Mr. KEATING. Yeah. I always get concerned when the Fed, whose primary responsibility is stable prices, kind of pooh-poohs what is going on with inflation. So I am not quite clear how long this is going to last. I don't think any of us are, and that is part of the problem, right?

Inflation comes with uncertainty, there is volatility, all of the issues that, you know, higher interest rates, all of these problems. So the issue—going forward, I wish I heard more from the Fed, that, hey, listen, we are taking this inflation issue very seriously, and perhaps we are going to start to rein in these historically unprecedented loose monetary policies that we have been running really since the summer of 2008. I think that would be a great step.

And then also, on the fiscal side of things, you know, inflation is all about too much money chasing too few goods. I like the idea of incentivizing the production of more goods. So, if we could have pro-growth fiscal policies, meaning tax, regulatory, trade policies, combined with some monetary restraint, that is how we got out of this mess in the 1980s when we had stagflation, and that is how we are going to get out of the mess today.

Mr. WILLIAMS. Okay. Quickly, in the time I have remaining, in your opinion, what are the impacts of higher taxes and increased government regulations on small businesses, particularly on the heels of the COVID-19 setbacks? Higher taxes do nothing but hurt business. We need to cut taxes. So, quickly, how do you feel about that?

Mr. KEATING. Well, you are right on. Listen, higher taxes always come with costs for negatives to the economy, negatives for small business. And then, when you are thinking about doing it as we struggle to get out of a pandemic economy, I am bewildered by that. This is the worst possible time to be imposing higher taxes and more regulatory burdens.

And, without a doubt, you can talk about targeting at this income level or that income level; ultimately, everybody gets hurt and largely because investors get hit. That means less capital for entrepreneurs, and we need entrepreneurs, again, to drive innovation, economic growth, and job creation.

Mr. WILLIAMS. Thank you, Madam Chairman, I yield my time back.

Ms. VELÁZQUEZ. The gentleman yields back, and now we recognize the gentlelady from Kansas, Ms. Davids, Chairwoman of the Subcommittee on Economic Growth, Tax, and Capital Access, for 5 minutes.

Ms. DAVIDS. Thank you, Chairwoman, and I am excited about this hearing today. You know, America's small businesses and small business owners, entrepreneurs, have really faced enormous and unprecedented challenges over the last year and a half because of COVID, and we have heard about that during this time from our witnesses.

And we also heard that, against all odds, we are seeing Americans start new businesses. Even in 2020, 4.3 million new businesses were started, and that is the highest number of new businesses over the last 15 years.

So, while we have unprecedented difficulties, we are also seeing unexpected and inspiring startup and unexpected and inspiring startups surge. It is, I think, a testament to the entrepreneurial spirit that we have got in this country, and I am glad we are taking the time to understand that today.

And so my first question, Ms. Diop—is that the—okay—I wanted to ask you about, you know, in your written testimony, you mentioned that you became an entrepreneur because you had to. And I think that is something that a lot of folks face, but I am curious, of the things that you were able to navigate, can you share with us a little bit about the challenges that you didn't see coming, and, you know, what were those?

Ms. DIOP. Thank you so much, Ms. Davids.

Certainly there were challenges that I ended up facing which I couldn't have anticipated, and I would say the largest one is learning how to go from a one-woman, or person, business to then delegating and expanding it.

I, as I mentioned in my testimony, started my business out of necessity. Because I couldn't find a job but I had children, I needed to take what I knew how to do and turn it into a business that could then serve others.

Where the shift happened and where the first challenge really came is, okay, now how do I take this and make it something that is not only about me but then can create a space for other people who either need a job or further need support in their own businesses.

So scaling is a huge part of entrepreneurship, a huge part of running a small business, and can be the largest challenge, but I was able to navigate that through research, support, and trial and error.

Ms. DAVIDS. Thank you. And I am—the idea of scaling and kind of those almost, like, back-office type of skills, you know, the Kauffman Foundation, which is based in the Kansas City area—the Kansas Third is on the Kansas side of the Kansas City metro area—and the Kauffman Foundation has done a lot of research, and they talk about accounting and legal advice. And I am curious about how that is one of the biggest obstacles. I am curious how you handled—like, you mentioned research. Like what kind of steps did you take to address that?

Ms. DIOP. Absolutely. So I did ask a lot of questions. I am very grateful that, in my time running this business, I have been able to make connections. And so a lot of clients who would book me for a call would actually be in the field of—the legal field, or perhaps they were in the field of finance.

And so, in exchange for me helping them to gain clarity on how to scale their own businesses, I was then able to ask them, well, since you are in the financial field, what should I do? You know, since you are in the legal field, what steps can I be taking to really expand this so that it is not just my small business but something

that can really grow and walk on its own legs? So that was a key element of my research.

And then, as well, I am from Los Angeles, California, so I looked up small business development programs and centers near me where I could go and ask questions: How do I navigate this next step? I have done this much so far by myself, but I know that I need further support.

So those types of programs, such as the one you mentioned in Kansas, are so very needed. I really did mine the scrappy way by just, you know, researching and figuring it out. But, when people can have access to information that provides them with that necessary infrastructure support, it really strengthens their ability to be a long-term, lasting business.

Ms. DAVIDS. Thank you for that. And I think, you know, from your description about how you got into being an entrepreneur and also from Ms. DeVane, you know, the work that they are doing, and now as a community navigator—community navigator grantee, it sounds like one of the things that we need to do is try to make sure that our resources, from the federal perspective, are available and known to everyone.

With that, I will yield back. Thank you, Madam Chair.

Ms. VELAZQUEZ. The gentlelady yields back.

Now we recognize the Ranking Member, Mr. Luetkemeyer.

Mr. LUETKEMEYER. [Inaudible.]

Ms. VELAZQUEZ. The gentleman from Pennsylvania, Ranking Member of the Subcommittee on Economic Growth, Tax, and Capital Access, Mr. Meuser, is recognized.

Mr. MEUSER. Thank you, Chairwoman Velázquez, and thank you to our Republican leader, Mr. Luetkemeyer, and thank you very much to our witnesses, and thank you, Ms. Diop for being here with us, and to all on virtual.

Clearly, the last 19 months have been very challenging for small business. Even though I am a Member of Congress, I have been experiencing it from my past life, as well as just working with the constituents and helping them through, navigating through the COVID crisis, from PPP to shutdowns to you name it.

Ms. Diop, your story was compelling, amazing. Congratulations. I want to ask you a couple questions about that, but first I am going to just go to Mr. Keating.

Mr. Keating, as small businesses, entrepreneurs, as you have mentioned a couple of times, have dealt with cost of goods, shortages, all kinds of cost increases, inflation, wage increases, which we all like, but when they come so suddenly and creates the shortages, as well as the added unexpected expenses—government is not in the business of creating jobs.

Government's role is to create the best environment possible for the private sector to create those jobs. So, in light of the many issues that exist—workforce, I mentioned them, inflation, cost of good increases, supply chain problems, pending OSHA mandates—how has government done in helping or worsening small businesses' challenges, Mr. Keating?

Mr. KEATING. Yeah. Unfortunately, I would like to say we were doing better than we are. When you look at all the signals that entrepreneurs, small businesses, investors, are getting from Wash-

ington, it has been, you know, what taxes are we going to increase; let's look at all sorts of new regulatory initiatives. And they span across from labor to antitrust and everything in between.

You know, we still haven't unwound tariffs that were imposed. So, you know, there is not much going on, on the trade front to be able to expand opportunities.

So bottom line is, you know, the overarching signals are not positive from the federal government, I would argue, in terms of policies for small businesses.

Mr. MEUSER. Okay. So perhaps reversing some of those, keeping taxes competitive so goods made in Asia are not more competitive, regulations that do affect supply chain, that is what we should—in your view—

Mr. KEATING. Absolutely. Absolutely. Regulatory reform, in a positive sense, would be great. I mean, imagine if the business community, including entrepreneurs and small businesses, were hearing from Washington that, hey, we are going to start sunseting regulations so that we can assess each one if it makes sense going forward, right?

How about we have more input from Congress, rather than leaving it all to appointees and bureaucrats, right, having Congress actually approve each rule and regulation. So those types of reforms would be a big plus, I think.

Mr. MEUSER. All right, thanks a lot.

So, Ms. Diop, you are based in Los Angeles? Well, again, congratulations, your determination, hard work, probably a lot of smart work as well, a tremendous amount of thinking and probably loss of sleep, but really, really great American business story.

So taxes in L.A. and federal taxes, I am not going to ask you what you pay in taxes—it is your business—but I would guess it is somewhere in the neighborhood of about 40 percent. Do you think that that is helpful to your business or—so just talk about that a little bit.

Would raising those taxes affect you? Would you prefer them to stay where they are? Would you like to see them lowered a little bit? How would that help your small business?

Ms. DIOP. Yes. Thank you so much for your question, Mr. Meuser.

Taxes are definitely a challenge, and the biggest wake-up call in this entrepreneurship journey that I have had.

I think that, you know, taxes as a new business owner can be navigated more thoroughly with proper education and with proper support. I think one thing that is lacking is taxes are almost like a smack in the face when you start a business. There isn't any, you know, preparation to help a small business owner know what they need to expect in terms of the magnitude of what the tax rate can be and how to fully prepare for it.

I do think that, as small business owners, you know, lower taxes can certainly help because of the fact that we are already operating on margins that, you know, we have to pay other employees, we have to, you know, pay for other startup capital, depending on what type of business that you are in. I—

Mr. MEUSER. I am sorry. I am out of time.

But, Madam Chair, I would just like to ask, perhaps Ms. Diop can provide us with what you would like to see us do to help your clients and to help you. So maybe we can do that even in a second round or maybe you could just send us an email on that.

Ms. DIOP. Okay.

Mr. MEUSER. I yield back, Madam Chair. Thank you.

Ms. DIOP. Thank you.

Chairwoman VELÁZQUEZ. The gentleman yields back.

The gentlelady from Illinois, Ms. Newman, is recognized for 5 minutes.

Ms. NEWMAN. Thank you, Madam Chair.

I just have a quick question for Mr. Fogaty and then for Ms. Diop.

So, Andrew, first of all, good to see you. Can you share a little bit of what you think would be the number one most powerful thing that Congress can do to help incubators, particularly with entrepreneurs of color and entrepreneurs with disabilities? If you could nail a number one down that Congress could do to provide incubators specifically and then providing—or providing and empowering more incubators, what would that be?

Mr. FOGATY. Well, support, of course, in the financial sense for incubators, and I would also—for disadvantaged entrepreneurs, especially the severely disadvantaged entrepreneurs that I deal with, with blind people, severe disabilities, I would like to see some sort of a grant program. Right now, I have a chef who is blind. I would love to see her be able to get a space at O'Hare. She has—she had a restaurant and, fortunately, closed it just before the pandemic—it was a great time to close a restaurant—so that she could start a family, but she is getting ready to get back into it. She would do well at a place like O'Hare or Midway, but the cost of getting into one of those spaces is really prohibitive for a disabled entrepreneur.

So, you know, certain segments of our entrepreneurship world do need grants and startup support, and we should also encourage the lenders, the banks, perhaps through the CRA program, to support both incubators and the entrepreneurs themselves.

Ms. NEWMAN. Thank you very much.

And then, Ms. Diop, so, first of all, congratulations. Amazing. So, if you think back to when you were first starting, what do you think would have been the number one thing that would have helped you with what you are calling the surprise around taxes? And so I was in exactly your shoes 17 years ago, and I was, like, wow, that is interesting.

Now, as we all know, that, once you identify your deductions properly, legally, and ethically and all of those things, your taxes come down greatly. And then, when you choose a tax category, it is a breeze then. And, actually, it is much better to be a small business than a big business. And, as you know, moving forward, your rate will likely stay the same or lower based on the Build Back Better plan, so I just wanted to clarify that for the record.

That said, what would be the number one thing maybe in terms of, you know, small business literacy on the ledger side or whatever that would have been, gosh, it would have been good to know that?

Mr. DOHERTY. Yes. Thank you so much, Ms. Newman, for your question. I would definitely say that what would have been helpful

at the very beginning is perhaps when small businesses go to register for their business, and they are in that initial phase of becoming official, you know, any type of documentation or any type—maybe a letter or just something that can really assist them with understanding, okay, now that you have registered a business, here are the most common deductions for the category you have chosen, for the industry that you have chosen. Here are ways that you should be tracking those deductions. Here are resources maybe near you or resources online that can help you to start practicing tracking your deductions and proper accounting measures. Because once I got a handle on my taxes and the expenses, I then immediately had to start coaching other business owners on the proper ways to track their own expenses and track their income because, truly, they had no idea. And if you don't set aside a certain amount of money, then you are slapped with a very large tax bill that then can really set you way back, and you almost feel like you are starting your business from the beginning if you are not fully prepared.

So I definitely think measures like that would be very helpful and can further educate business owners even before they start the business on, hey, here is everything you need to be ready for. Yes, it is great, but also make sure that you know what to do when it comes to paying your taxes and when it comes to doing it the legal and ethical way.

Ms. NEWMAN. Well stated, and thank you. Great idea. So thank you for your time.

And I yield back, Chairwoman.

Chairwoman VELAZQUEZ. The gentlelady yields back.

The gentleman from Minnesota, Mr. Stauber, is recognized for 5 minutes.

Mr. STAUBER. Thank you very much, Madam Chair.

You know, the COVID shutdowns were devastating to communities and the American economy. By the end of 2020, government lockdowns eased, businesses began to reopen, and our economy started to rebound. Things were on the up, and businesses had great optimism, but the Democrats marched forward with their first partisan spending spree, the American Rescue Plan, a \$1.9 trillion package, despite the nation's positive recovery trends. This was the beginning of the many crises we are facing today.

First, the cost of the American Rescue Plan has caused immense inflation. Gasoline is up 42.1 percent. Electricity is up 5.2 percent. Transportation is up almost 5 percent. And all these costs mean less money for our small business owners to take home to their families, who, by the way, are having to pay 12.6 percent more for meat, 12.6 percent more for eggs, and 11.9 percent more for their children's footwear.

Second, the American Rescue Plan continued to pay people more money not to work. Now, U.S. employers are still struggling to fill more than 10.4 million job openings. Labor shortages for truck drivers, dock workers, warehouse employees, no wonder there are issues with our supply chain.

So here we are in the middle of a crisis. Prices of goods continue to skyrocket right before the holidays. Shelves are empty. A real look at what the Biden agenda has gotten the American people so far, and, yet, the Democrats say let's spend more, trillions more.

And how will we pay for it? How are we going to pay for that? Oh, that IS right. Taxes again on small businesses. That is wrong. I simply do not understand how my Democratic colleagues can convince themselves that they are doing good work on behalf of the American people.

With that, I would like to use the remainder of my time to turn to the testimony of our witnesses, and I thank you all for being here today.

Mr. Keating, do you know how many small businesses are organized as subchapter C corporations or passthrough businesses?

Mr. KEATING. Actually, most businesses are passthrough businesses, S corps, LLCs, sole proprietorships and so on, so that is the bulk of—it is—over 90 percent, I believe, off the top of my head, are non-C corps.

Mr. STAUBER. Okay. So close to 90 percent. So can you speak to how an increase in the corporate tax rate and a limitation on section 199A deduction will harm these businesses?

Mr. KEATING. Well, there are a couple things, real quick, about the corporate tax. First off, there is this misnomer going around that most C corps are large businesses. And, again, when you break down the numbers, most C corps are small businesses, small and midsize companies. So, when you are talking about an increase in the corporate income tax rate, you are talking about an increase directly on many small businesses. And then, obviously, any kind of tax increase on C corps are going to affect their universe, their network of businesses as well, which obviously covers non-C corps that serve those businesses, that work with those businesses and work with their employees.

Mr. STAUBER. Well, thank you very much.

I think, Madam Chair, Ranking Member Luetkemeyer, I appreciate you holding this hearing. And, you know, we have always talked about small businesses are the engine of our economy. They are the engine of main street. And we continue to tax them and put devastating policies, not allowing them to succeed. We need to protect small businesses and ensure they are the engine of our economy.

And I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

The gentlelady from California, Ms. Chu, is recognized for 5 minutes.

Ms. CHU. Ms. Diop, I was so inspired to hear your story, and as a Representative of Los Angeles area congressional district, I was especially inspired. You faced obstacles that could have defeated so many people, having been rejected from job interviews 53 times, but you used your creativity and determination to use that \$1,200 stimulus check that we sent out to start your own business.

And I was thrilled to hear that, because of your success, you hired 5 people and are planning to hire 10 more—5 more for 10 people total.

So, Ms. Diop, in April, I reintroduced my legislation, H.R. 2680, the PROGRESS Act, which would support the smallest of businesses, those without any employees, by helping them expand and incentivize third-party investment. This legislation will create a refundable payroll tax for non-employer firms that hire their first

full-time employee and also an investment credit to encourage third-party capital investment into non-employer firms. Non-employer firms are much more likely to be owned by women and female entrepreneurs on average and start out with roughly half the capital as male entrepreneurs; hence, the legislation.

So can you talk about policies to level the playing field by having such incentives for first-time employees as well as third-party investments could help entrepreneurs like you?

Ms. DIOP. Absolutely, and thank you so much for your question, Representative Chu. I would definitely agree that incentives to level the playing field, to use your words, and assisting new business owners, as well as new women business owners, can certainly be helpful because especially those of us who are new entrepreneurs that are mothers, we have an entirely different set of challenges to face when it comes to starting a business. So any measures and incentives that could alleviate some of those to, for example, in my case, give me access to—I had the \$1,200 but any other programs that provide grants or simply just access to resources to further assist in starting a business in that way is certainly helpful.

Ms. CHU. Okay. Thank you for that.

Mr. Fogaty, thank you for your testimony. I am glad that you mentioned that many small businesses struggle to access affordable loans for smaller amounts in the private market, even some non-profit lenders. In fact, you say that the access to capital is a challenge. And, of course, also some nonprofit lender options exist but that they are typically at a higher interest rate and are less desirable than a bank loan.

So that is why I have been working for years to authorize the Community Advantage Loan Program, which provides SBA backed 7(a) loans to this exact subset of small businesses, those who cannot qualify for an affordable loan from a commercial bank or traditional 7(a) lender but need financing that is under \$250,000. So I am so pleased that the current Build Back Better framework does include \$275 million in funding for the Community Advantage Program.

So can you elaborate on this gap in the lending market for smaller dollar loans and what that means for small business borrowers? And can you discuss how SBA programs like Community Advantage, which leverages a government subsidy to offer favorable rates to borrowers, can play in filling the gap?

Mr. FOGATY. Sure. The SBA loan programs, all of them, including the Community Advantage, are key to small business growth, and I am all for them, and they should certainly be supported. It is certainly good legislation although, as I did say before, in Chicago, especially on the southwest side, we have a number of ITIN holders who cannot access most of those loan programs.

Every small business, every startup, when they are looking for small loans, \$20-, \$30-, \$40,000, it is really not worth the bank's while, in my opinion, to make those loans happen. So I would like to see some way of incentivizing the banks, streamlining the reporting procedures, helping us as the business advisors make these loans available to small businesses because there is that gap from the small amount of startup funding when you get going, and then,

when you are ready to expand, hire employees, you are not looking for a million dollar loan. You are—many of my clients are looking for \$20-, \$30,000, and there are just not a lot of choices out there. Thank you for your question.

Ms. CHU. Thank you. I yield back.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

Now we recognize the gentlelady from New York, Ms. Tenney, for 5 minutes.

Ms. TENNEY. Thank you, Chair Velázquez and Ranking Member Luetkemeyer, for holding this minute. I am a small business owner in New York. Our business is celebrating its 75th year. It is a very difficult landscape in New York, high taxes, a lot of frustration obviously with the employment situation now, but 95 percent of the businesses and the people in my district actually got a tax cut from the Tax Cuts and Jobs Act. Only the wealthiest actually received a tax increase under the last plan. It was a breather for us to finally get some relief to reinvest in our communities, reinvest in our business from, you know, the heavy tax burden that is put on us by New York State.

But my question and my concern is that 60-plus or more percentage of these new jobs always come from the small business community like ours.

We would love to expand and grow, and we know that venture capital is really important. But one of the things that, in being the heart of the industrial revolution started in my district when the Erie Canal was started, is the loss of a lot of these manufacturing jobs, a lot of jobs where—a lot of the manufacturing sector where we have a lot of investment, but we need long-term solutions, and we have long horizons that we need to meet which we are going to stay in there for a longer period of time.

So we also provide a lot of jobs for people who don't necessarily have to be skilled initially, but we want to put the training in. We take advantage of that if we can. And that is why, you know, one of the initiatives I put through is the American Innovation and Manufacturing Act, which would—and I am grateful for the bipartisan sponsorship of this bill—which would give innovation to small manufacturers and give them the flexible capital that they need. So this is really—you know, we think this is a first step.

But I wanted to ask, first, Mr. Fogaty, because I know this is a huge issue. It is a huge issue for my company. We are small. We only have 70 employees. But what is—how important is it to support domestic manufacturing and that we need to streamline the reporting regulations? You alluded to it in investing in small business, but specifically dealing with, you know, the ability to thrive in a State like New York where we have such heavy regulation?

Mr. FOGATY. Yeah. No manufacturer likes regulation, and they have been having a very, very tough time of it. I would also—when I talked about streamlining, I think that the manufacturers that I work with would like to see some simplification, some streamlining of the procurement process. The Systems Award Management system, SAM, which is the federal government system for enrolling to get federal contracts, last year, I had a couple of manufacturers pivot pretty quickly from what they were doing to making PPE. And this is a time when the masks were, you know, in great de-

mand. And they were able to pivot quickly, but they were not able to sell to the government in an expedited way.

And some of the systems, as I said, the SAM system. I have helped a couple of blind entrepreneurs navigate the SAM system, and it is—you know, I don't want to be overly critical, but it is certainly in need of an update.

Ms. TENNEY. We got some of that criticism as well, you know. Good intentions, but in practice, it was hard for a lot of our entrepreneurs to really access it.

Mr. FOGATY. Yeah. Absolutely. And, again, we really, really need to—I am sorry.

Ms. TENNEY. Go ahead. No. Go ahead.

Mr. FOGATY. I was going to say we really need to support domestic manufacturing, American manufacturing through things like on-the-job training programs so that we can bring a job seeker in and the manufacturer, the employer does not have to look to somebody who already has these skills. There is an incentive so they can train them.

Ms. TENNEY. Yeah. We have invested heavily in that with our business as well. Thank you.

Mr. Keating, you said in your testimony that the recovery from the pandemic slowed dramatically in the third quarter of this year, fiscal year 2021, and that real GDP grew at a mere 2 percent in the third quarter. You said this was largely because of the consumer pullback. Why do you think consumers lost confidence in the recovery, and what steps can we do to restore confidence? Really quickly because I only have 20 seconds left.

Mr. KEATING. I would suggest consumers—it was also business investment pulled back. I think the signals again from Washington were very troubling. In your State, I am one of the people that just left. I moved to Florida from New York. I grew up there. The tax and regulatory burden is a mess. That is what you have to deal with to get things right in New York, and good luck. But, yeah, those signals from Washington, I think, had a real effect.

Listen. I said for the longest time, and I know I am probably talking too much, but after we experienced the bounce-back, my question has always been, what are we going to do then on the policy front to make sure that we accelerate economic growth going forward? And what we are seeing right now is not the answer.

Ms. TENNEY. Thank you. I really appreciate that.

Chairwoman VELAZQUEZ. The gentlelady's time has expired.

Now we recognize Mr. Evans from Pennsylvania for 5 minutes.

Mr. EVANS. Thank you, Madam Chair.

Ms. DeVane, it is great to have you here. And, in my younger years before I became a Pennsylvania State legislator, I worked as a job developer at the Urban League in Philadelphia. I have seen tremendous work that your organization does to advance economic opportunity for Black Americans and for those in underserved communities.

Despite the toll the pandemic has taken on the economy here, there has been some silver linings. Last year, Americans filed paperwork to start 4.3 million new businesses. This is a 24-percent increase from 2019. This 24-percent surge in entrepreneurship was

largely concentrated in Black and Hispanic communities with high median income.

Ms. DeVane, this is my question to you: What factors do you think contribute to this increase in Black and Hispanic ownership businesses?

Ms. DEVANE. Thank you very much for the question, Representative Evans. And, of course, once an Urban Leaguer, always an Urban Leaguer. It is great to see you.

I think a couple of things have contributed to that. One is that many people were laid off from their jobs and needed, quite frankly, to find employment and took to entrepreneurship as an opportunity to gain some economic freedom and independence.

I think a number of other entrepreneurs came about because they wanted to start their passion projects. They turned their side hustles into businesses because the environment was right to do so. There were grants available from private companies. There were government grants available. There were PPP loans available for those who could get them. I think, for many business owners, this was an opportune time to delve into the workforce.

Mr. EVANS. Ms. DeVane, the National Urban League website states the number one challenge facing 80 percent of small business owners is lack of capital and cash flow. Has this changed during the pandemic, and if so, how?

Ms. DEVANE. Yeah. We saw our business owners tremendously affected by the pandemic. Most of them were already struggling beforehand. We have talked about that a little bit. They didn't have the back office, the fiscal systems, the operational systems, the strategic management in place, and so, when the pandemic hit, it was just exacerbated. And I think many of these businesses struggled and shuttered their doors.

I think the ticket for many of these business owners is the technical assistance provided. Capital is sorely needed, and we have talked about that. But capital always has to be undergirded by coaching, by training and development. You don't know what you don't know, as Ellie found out with the tax situation. So I think for us, the National Urban League, our affiliate network through our entrepreneurship centers have been providing the knowledge and the tools and the skills that folks need to very develop those operational systems, put fiscal management practices in place, and to help people to strategize to grow their businesses and to avoid this type of situation as they learn to pivot during crises.

Mr. EVANS. Ms. DeVane, many small businesses fail after just a few years. Can you tell us what Congress can do to ensure many of the businesses that started during the pandemic, especially minority businesses, continue to grow and provide jobs and opportunities in their communities?

Ms. DEVANE. Absolutely. I think that what those businesses need—obviously, capital is always sorely needed, but in addition to that, it is the technical assistance. I think that this SBA community navigator program is a great example of what government can do. This program will help to use trusted advisors, such as the Urban League affiliates, to go out into communities where business owners don't have access to these tools, don't understand what is available to them through the government, and we can go out and

talk about the resources that are available and drive people to the SBA and to other organizations that can provide the skills that they need to grow these businesses. We really need technical assistance. We really need incubation programs that help people to develop and scale and grow their businesses, and we need capital.

Mr. EVANS. I think I have a few more seconds left.

My home city of Philadelphia had a poverty rate of 24.5 percent in 2020 with two-thirds of those at poverty being Black or Hispanic. How do we better reach Black and Hispanic entrepreneurs in communities with lower median income?

Ms. DEVANE. We used trusted advisors like our Urban League affiliates. We live and we work in those communities. We know those communities. We provide wraparound services, not just entrepreneurship, through our Urban League affiliates. And those are the folks that know business owners in those communities, those are the ones that are trusted by the business owners, and those are the ones that need to be going out like we are doing through our Urban League affiliates, evangelizing, providing services, technical assistance, and capital to those business owners. And I think that is the ticket.

Mr. EVANS. Thank you.

I yield back the balance of my time, Madam Chair. Thank you. Chairwoman VELAZQUEZ. The gentleman yields back.

The gentlelady from California, Ms. Young Kim, Ranking Member of the Subcommittee on Innovation, Entrepreneurship, and Workforce Development, is recognized for 5 minutes.

Ms. YOUNG KIM. Thank you, Chairwoman.

I would like to go right into questioning Mr. Keating.

Can you elaborate on how continual lackluster job growth, like we saw this past September, this incentivizes individuals from establishing their own small business?

Mr. KEATING. I am sorry. The lack of job growth; is that what you are saying?

Ms. YOUNG KIM. Yeah. The lack of job growth.

Mr. KEATING. Yeah. I think what we have heard here is absolutely correct. When you look at entrepreneurship, there are different types of entrepreneurs, right. Some dive into the waters; others get pushed. And what we saw during the pandemic is, I think, a combination of people being pushed, right. I put in my testimony, Walt Disney once said, when you can't get a job, you start your own business, right, and that is what we have seen here.

But, also, I think the fact that people have experienced more independent work or independence, and I think that has them thinking about being their own—you know, owning their own business, looking towards entrepreneurship. I think, in a very tough time, those are some of the positives that hopefully are going to come out of this.

Ms. YOUNG KIM. If we are not hitting the mark with expected growth on GDP, how does that affect business confidence in the medium to long term?

Mr. KEATING. Yeah. Well, there is uncertainty now, right, and we saw the bounce-back, the snap-back, and we were pleased about that, even with all the problems, supply chains and labor short-

ages, and all of a sudden, we see GDP kind of put the brakes on at 2 percent here.

Now, there are a whole host of issues, I think, that are in the mix, including the Delta variant and so on and so on, but this just raises more questions. That is not good for business. It is going to raise more questions with investors, right, because we saw a part of the story on GDP was the slowdown of business investment. Business investment is critical now, and it is critical for future growth. So that just adds more uncertainty into the equation, and that has me concerned.

Ms. YOUNG KIM. Yeah. You know, I represent southern California, and my home State of California has one of the highest unemployment rates in the country, and unemployment claims keep raising. I mean, it keeps going up, not decreasing. It is a concern for us from the big State of California.

But, Mr. Keating, in your written testimony, you noted a MetLife U.S. Chamber survey indicating 44 percent of small businesses are finding it harder to fill the open positions. Can you tell us if you have found a correlation between small businesses not having available workers and the decline in the labor force? Why do you think we are seeing a decrease in labor force participation?

Mr. KEATING. Yeah. That is—you know, when you look at that unemployment number, I always tell people, go deeper when you look at the unemployment rate because right now, we saw an improvement in the unemployment rate. Like, hey, wow, that is great, right, but part of that improvement was people leaving the labor force again.

Now, with the pandemic, everybody should be coming back, right, so this is—again, it is an issue that has been around really since the 2008 recession. Why have people not come back to the labor force to the degree that they should? Some people say it is age, but when you zero in on the work, you know, working age, 25 to 54, we are still not back to where we should be, so that has me very concerned.

I am hoping that these business application numbers maybe point to people becoming entrepreneurs. That would be a net positive. But I am not quite sure what the answer is. There are a whole host of things, I think, culturally, economically that are in the mix here. And, again, that is something that I think we need to wrestle with and really delve into.

Ms. YOUNG KIM. Something we need to continue to think about and worry about, you know. One more question to you, Mr. Keating. Some parts of California are experiencing some of the highest average gas prices ever. In some parts where I am in southern California, L.A., Orange County, they have hit a 13-year high. Some place I saw close to \$6 per gallon. Can you speak of how supply chain bottlenecks and even the threat of higher taxes can impact entrepreneurial behavior?

Mr. KEATING. Yeah, all those things. I mean, when you are talking about gas prices, right, that is fundamental to everybody, right, including small business owners. So, you know, California does have to deal with its own regulatory issues and tax issues. There is a reason why, even when gas prices are low, you guys still

tend to be among the highest. So I think part of it is a California issue.

Ms. YOUNG KIM. Yeah—

Mr. KEATING. But then, obviously, nationally, we are all dealing with the bottlenecks and the shortcomings and so on. So, again, I think it is a question of, yes, the private sector has got to work through this, but we have got to make sure that government allows private and doesn't get in the way of doing that.

Ms. YOUNG KIM. Thank you very, very much.

I am happy to yield back the balance of my time.

Chairwoman VELAZQUEZ. The gentlelady yields back.

Now we recognize the gentleman from Minnesota, Mr. Phillips, Chairman of the Subcommittee on Oversight, Investigation, and Regulations.

Mr. PHILLIPS. Thank you, Madam Chair.

Greetings, colleagues, and great gratitude to our witnesses for being with us today.

We all know the pandemic is wreaked havoc on our small business ecosystem, both in the U.S. and around the world. The recent surge in entrepreneurial activity, however, is really a welcome silver lining, I think we would all agree. They represent seeds of optimism, if you will. Now, we, Democrats and Republicans on this committee, have to do everything we can to water those seeds and ensure new businesses have access to the resources and mentorship and assistance necessary for them to keep their doors open and generate economic success.

And, you know, I think it is fair to say that all of us on this committee want to see Americans become self-sufficient. But too many people who have dreams, entrepreneurial dreams and ideas, still can't access capital, mentorship, counsel, and assistance. I hope we can unite around this.

And my first question is to you, Ms. DeVane. And I think it is fair to say that human beings tend to seek out others who share similarities. It is part of the human condition. It is also a phenomenon that, in my estimation, can adversely affect already underserved communities. A lot of the credited investors are a disproportionate number, of course, in America are older, White, and male, frankly, like me, and they tend to invest in entrepreneurs who share similar backgrounds. And you have noted in your testimony that this contributes to the very disparities we are talking about between White and minority-owned business owners and their abilities to access capital and counsel. So if you might just detail for us policies that you think can directly address that issue and help underserved communities with entrepreneurial dreams and ideas gain access to credit and other federal resources.

Ms. DEVANE. Certainly. Thank you for the question, Representative Phillips. I think that one of the things that needs to be addressed—and we have done this at the National Urban League. When the PPP program first came out and a lot of the Black-owned and other minority-owned businesses didn't have access, we worked with the government to make sure that minority depository institutions and CDFI, community-based and community mission-driven institutions played a role and had access to those programs so that they could provide those businesses with capital. Those are busi-

nesses that operate in underserved communities. They are trusted by those communities. Having support and the government supporting those types of financial institutions is certainly a ticket.

Also, ensuring that SBA lenders, many who our business owners did not have relationships with, have access to and are incentivized to work with those small businesses and also to certainly provide small dollar loans with low interest rates that are accessible and reasonable for small businesses is something that the National Urban League is very interested in making sure that our business owners have access to.

Mr. PHILLIPS. Great.

If I could go a little further upstream, my friend and colleague Representative Van Dyne from Texas and I were speaking the other day about business day. I remember business day in my school, elementary school, where we learned to start a little organization, whether it is selling lemonade or a service or printing T-shirts, whatever you have. What do you think of that notion of trying to establish entrepreneurial education as part of the public curricula around the country so we can teach kids who don't have entrepreneurial models in their households or communities often, at least the underpinnings of business and try to encourage a more self-sufficient entrepreneurial generation? What do you think of that notion?

Ms. DEVANE. That is a great question, and we are huge supporters of that notion. In fact, we—you know, I live in New Rochelle, a little bit upstate of New York City, and our high school has an entrepreneurship program. And I am starting to see many of those, and we are fully supportive of those types of programs.

It is never too early for a child to have an option not to go into the workforce but to be financially independent through owning their own business. And our Urban League affiliates are very successful, many of them, with youth entrepreneurship programs down in the elementary and the high school level.

As a matter of fact, our Los Angeles Urban League recently over the summer held a small business camp for youth entrepreneurs, and one of our entrepreneurs was extremely successful, just got \$10,000 through another organization pitching her business. And so, we are very much in support of youth entrepreneurship. It is never too early.

Mr. PHILLIPS. Great. Since I only have 15 seconds left, if the three other witnesses would just raise your hand if you like that idea of trying to inspire business days and entrepreneurship education. Good. I like that. We don't see too much unanimity these days. Thank you all.

I yield back my time and am grateful to all of you for being with us.

Chairwoman VELÁZQUEZ. The gentleman yields back.

The gentlelady from Texas, Ms. Van Dyne, Ranking Member of the Subcommittee on Oversight, Investigations, and Regulations is now recognized.

Ms. VAN DUYNE. Thank you very much, Ms. Chairwoman, and I appreciate Congressman or Chairman Phillips, your shoutout. Yeah. We have—it is amazing when you talk to each other how much you actually do have in common. And I appreciate your last

question and everybody agreeing on it. When you actually try to find common ground, you can find it. So I appreciate that very much and all of you being with us today.

Over the past 2 years, small businesses have struggled to survive in this new economy, as my colleagues on the other side have termed it. Now, as we look around, the environment our small businesses and entrepreneurs are living in is dismal. Every economic report we see falls short. GDP growth has slowed to 2 percent. If you take into account what folks had, it is actually zero percent that we have seen. Inflation has hit record levels, raising prices for all Americans, and labor is in short supply.

At a time when small businesses need to focus on keeping their shelves stocked, they must begin planning for the higher taxes and increased regulations that come within the two historic new spending bills that some progressive Democrats are rushing to pass.

If we want to retain our uniquely American entrepreneurial spirit, the government shouldn't be paying people to stay more at home and to work and trying to regulate American businesses out of existence. Instead, we should be pushing for lower taxes and lower barriers to entry for entrepreneurs.

Mr. Keating, I really appreciate your comments here today. A recent World Economic Forum report pointed out that supply chain barriers are hard to overcome for small businesses due to the significant capital investments needed. You know, we have seen Target, Walmart, others are able to figure it out. They have got other avenues that small businesses simply don't. So, in your view, how do regulations impact small business supply chains and their ability to adjust compared with larger firms?

Mr. KEATING. Well, by definition, greater regulation is going to make you less innovative, less—there is less agility there to respond as needed, so that is a big part of the supply chain challenges.

Now, on the positive side, to go positive for a moment, one of the things about small businesses is that they are more agile, right, so they can work to find ways to perhaps meet, you know, the needs of their customers where bigger businesses might be a little slower. I am not denying your point. Your point is spot on in terms of the Walmarts and Amazons and so on, but the great thing about being a small business owner and entrepreneur is that you have that ability to pivot, and we have seen that in this pandemic.

So the challenges are there. More regulation does not help. It hinders it. But being an entrepreneur in and of itself allows you to kind of do some things that a larger business can't.

Ms. VAN DUYNE. We just left—it is ironic because I just left. I am on the Transportation and Infrastructure committee as well, and we just had a focus on supply chain issues. We had folks there with trucking, with shipping logistics, and just talking about some of the barriers that government has actually put in their way of being able to be more productive, more efficient, and it is actually hurting the supply chain.

One of the things that they discussed was the vaccine mandates. And, obviously, we are in a different moment laborwise. So we spoke with businesses of all sizes, and a common concern is the upcoming vaccine mandate that is being imposed by the Biden admin-

istration. How do you think this mandate will affect small businesses?

Mr. KEATING. Well, that is the question, isn't it? And that is part of the problem is that we don't know. You know, our organization is—we say we are pro-vaccine, antimandate. Businesses are pretty good at figuring out their own situation and maybe how they might have to deal with certain employees in a certain way, right. When government steps in and does the mandate thing, that doesn't—you know, you don't have that ability to now deal with your particular situation and be able to deal with your particular employees. The flexibility is needed, I think, for small business owners in a big way.

Ms. VAN DUYNE. I mean, the concern was—and I think you know our Transportation Secretary, Pete Buttigieg, was very cautious in his response. The items in question are not simply Christmas gifts or toys. I mean, we are talking about liquid oxygen. We are talking about seeds and fertilizer to be able to put food into the ground for crops. We are talking—

Mr. KEATING. Pharmaceuticals. I mean—

Ms. VAN DUYNE. Pharmaceuticals, you know, things to be able to keep people's homes warm that don't live on the main grid. Can you explain to me some of these logistics concerns are moving forward, and if you have, in the next 18 seconds, any kind of federal regulations that you think are impeding our progress?

Mr. KEATING. Oh, my goodness. Off the top of my head, I can't give you an exact regulation, but I think the key point that I would like to make is all of those industries you mentioned and every single other one are overwhelmingly populated by small businesses. So it is very important for lawmakers to understand that, whether you are talking about trucking, pharmaceuticals, all the way down the line, every one of those is about small businesses. The numbers are there. I mean, I can provide more data if you want, or you can go to our—

Chairwoman VELÁZQUEZ. Time has expired.

Mr. KEATING. Sorry.

Chairwoman VELÁZQUEZ. The gentlelady from Pennsylvania, Ms. Houlahan, is recognized for 5 minutes.

Ms. HOULAHAN. Thank you, Madam Chair.

And thank you very much to all of you all for coming and joining us today.

My questions are going to be focused on ESG or environmental, social, and governance ideas, which I think are something that has gained a lot of traction over the past 15 or so years and across the nation. And, especially within my Commonwealth of Pennsylvania, business incubators have been serving as an important part to help startups and individual entrepreneurs scale their businesses, and they provide a range of services, as we have talked about, from legal advice to venture capital funding.

But studies have shown and the pandemic has borne out that companies that have a strong environmental and social governance aspect or criteria to them have outperformed companies that did not during this very critical time. And, in fact, this initiative was started on the heels of 2007 and 2008's financial meltdown.

And so, as the cofounder, along with Representative Phillips, of the Stakeholder Capitalism Caucus and as an entrepreneur myself who has built a lot of CSR ESG companies, I really acutely and personally understand the importance of ESG as a model for investors to evaluate companies, for employees to decide which ones to work for, for communities to embrace these kinds of companies, for all of the different stakeholders who are involved in these small business enterprises to be able to understand what a good company looks like.

So, starting with Mr. Keating, if I could, could I ask you to speak to any efforts that the incubator is acting on to encourage this kind of model for small businesses? And, if it is, can you discuss why this model is important during the midst of a pandemic or, frankly, at any point in time? And if the incubator does not encourage ESG criteria, can you explain why not?

Mr. KEATING. I am not an expert in this area at all. The only thing I will say generally, as an economist, that I think it is great that we have all sorts of different business models out there. And, ultimately, consumer sovereignty, consumers in the end decide what works and what doesn't in the marketplace, and we will see that with these types of companies and other more traditional or innovative business models.

Ms. HOULAHAN. I think it is beyond the consumer. I think it is also investors. I think it is also employees. I think it is kind of the entire ecosystem, the entire stakeholder ecosystem that makes the determination. And, as I mentioned, this kind of a company has really—I hesitate to say flourished because I don't think many of us have flourished during this difficult time, but I think they have proved more resilient than any other kind of corporation or structure.

So I would like to throw that open to anybody else on the panel. Ms. Diop, perhaps if you have any input in that, whether or not you are aware of these kinds of ideas and whether or not you are embracing of them.

Ms. DIOP. Thank you so much for your question, Ms. Houlahan. Certainly, it is not my area of expertise, but I am from Los Angeles, California, and environmental measures are very important to us out there and me personally. So I definitely think that access to more information about these types of programs so that small business owners or aspiring business owners could implement them into their business model would certainly be helpful. It would certainly be something that could even increase the awareness of these types of programs so that more people could participate.

Ms. HOULAHAN. Thank you.

Does anyone else on the panel have any input into this question before I move on?

Mr. FOGATY. Yeah. This is Andrew. I would just like to say I agree with the points that have been made. Most of our entrepreneurs, especially the younger ones, are very sensitive to climate change and the challenges that they create. One of my client companies, Omni Ecosystems, was started by Molly Meyer. She has developed a low weight soil. This is a little bit out of my league, the science stuff, but it is a low weight soil so that now rooftop gardens or urban farms are much more viable options because they don't—

it is lightweight soil, and it retains moisture. So, yeah, absolutely climate change and being aware of the ecological impact is very important among—

Ms. HOULAHAN. Thank you, sir. And, as a point of clarification, although the E, obviously, in the ESG is for environmental, the S and the G are for social and governance as well, and they have everything as well to do with how a company is structured, whether or not all employees or some employees are included in things like equity decisions or whether the board is inclusive, those kinds of things, as well as making sure that we are thinking about the whole impact that a business has and that there aren't externalities that are passed on to other organizations.

And, with that, I will yield back my time. I really appreciate you guys and the opportunity to speak to you.

Chairwoman VELAZQUEZ. The gentlelady yields back.

Now we recognize the gentleman from New York, Mr. Garbarino, for 5 minutes.

Mr. GARBARINO. Thank you, Madam Chair, and to the Ranking Member for hosting this hearing today, and thank you to the witnesses for being here.

Mr. Fogaty, I have a question for you. You assist small businesses, business owners with business planning, market research, and financing. In the current economic turmoil of labor shortages, price spikes, supply chain disruptions, and inflation, what advice are you giving them?

Mr. FOGATY. Well, it very much depends on what type of business that I am dealing with. Over the past 18 months or so, we have been very much focused on keeping—on having businesses survive, so things like EIDL and the Paycheck Protection Program and that type of thing. Startup funding is—and we are kind of repeating ourselves here, but startup funding is very much a challenge. I am sure the other guests on the panel would agree, and small business funding to grow, small loans below \$50,000, are also very difficult to come by.

So, as far as what I would—I would say that, for Congress, I would like to find some way, I would hope you would find some way of incentivizing banks to lend more to startups and in smaller amounts, and that is what I am really hoping. But, yeah, for the past 18 months, it has been a lot of work with government programs to make sure that the companies survive.

Mr. GARBARINO. Okay. And then I imagine anybody dealing with getting companies to survive, a lot of businesses prepandemic did not have an online presence, and it was, I guess, for a lot of them to survive, they had to convert to at least having some sort of online presence.

I am the Ranking Member on the Homeland Security Cybersecurity Committee as well, you know, and we have seen, especially in the past couple years, a lot of ransomware attacks, almost 50 percent of them, are targeted at small businesses in a small amount, but, you know, it is a small amount in the grand scheme of things but not to a small business, who has to pay a couple thousand dollars for a ransom.

What are you—or any of the other witnesses on the panel today—what are you saying to clients or prospective clients or

small business owners on how to deal with this issue because a lot of people don't understand cybersecurity? It is not at the top of their list when they are starting a business.

Mr. FOGATY. The Illinois Small Business Development Centers, of which we are a part, we do host cybersecurity experts who have the—where they will come and speak to the small businesses. And, actually, the gallery incubator in Evanston where I am a volunteer mentor, they are—one of the founders is very savvy in the cybersecurity realm. So, yeah, I can't agree with you more. Cybersecurity is key. And certainly an online presence is absolutely vital to any small business.

Mr. GARBARINO. And anybody else can jump in, but I would think most new people who start a business now realize they have to have an online business, but I guess some of the small businesses that have been around for a while, it is something they never had to do before. I don't know if Mr. Keating or Ms. DeVane or Ms. Diop want to join in, you know. What are you seeing with current small businesses, and how are they doing making this change?

Ms. DEVANE. Sure. I would definitely add that you are a hundred percent on point. One of the things that we saw with our small businesses, many of our businesses are more mature in age and more traditional and really aren't savvy or were not savvy with social media and with technological changes. So, it was a real eye opener for them, and we really had to help them transition into the digital world. Some of that was by necessity because everything had to be Zoom, and nothing was in person, and everybody has phones.

But the thing is that we really had to take the time to train them with those tools, branding, marketing your business in a world that is virtual, and social media was very important. And the other thing is through the CARES Act funding that we had, we ran about seven different webinars and workshops for businesses to help them with COVID, and one of those was on cybersecurity. We still provide access to that through all of our affiliates and online through the National Urban League's website, so folks can go in any time and look at that information.

Mr. KEATING. If I could add, what is fascinating is some of the survey results that we have had in terms of the impact that this technology, social media, has had on starting up a business. You know, one of the results, we saw that 80 percent of people said that they were able to start up their business because of the affordable nature of online advertising. So it is not just—obviously, it is helping existing businesses, but it is also boosting startups, which is a very exciting aspect of this.

Mr. GARBARINO. I appreciate that. And I believe I am out of time, so I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now we recognize the gentlelady from Florida, Ms. Salazar, for 5 minutes.

Ms. SALAZAR. Thank you, Chairman Velázquez and Ranking Member Luetkemeyer, for holding this important hearing.

This comes at a pivotal time for countless small business owners and their families nationwide. And I wanted to thank all the guests

that have been here and exposing their testimony, specifically, Mr. Raymond Keating. You were mentioning how constructive pro-immigration policy agenda would be good for the economy, and I completely agree, so I wanted to ask you, what are the major changes to the immigration system that you think we should be implementing in this country directly to improve the small business community space?

Mr. KEATING. Well, I think that, number one, it is important to understand that foreign-born individuals have a much higher rate of entrepreneurship than native born. And that shouldn't surprise us because, you know, it is pretty risky to move from one country to another.

Having said that, I think some sort of entrepreneurial visa, right, is critical. Why aren't we offering this and attracting entrepreneurs from around the world to the United States? There is no downside. I can't figure out any kind of downside, so I think that is step one.

And then, obviously, step two is just getting more—our immigration policy more in tune with labor needs, you know. Right now, we are coming out of the pandemic, but not too far down the road, we are going to have additional problems in terms of working age population and so on, and at the other lower end of skills and the upper end of skills. So I think immigration can help us with that issue in a big way, but the entrepreneurship aspect is critical.

Ms. SALAZAR. And, when you are talking about labor, you are talking about basically merit-based visas. What would be the ideal scenario, according to you?

Mr. KEATING. Yeah. Well, I think that merit-based, the idea that this is what I want to do, I can do—what I can contribute to the United States as—you know, whether it is high-tech visas or, again, at the lower end of the skill level. So I think it is—we just have to be more cognizant of the realities in our economy. I mean, listen. I am an economist, so I like to—I would love our immigration policy to be focused more on economics than some of the politics that we hear being tossed about. And I think, when you look at the economics of immigration, listen. Every poll of economists always—they always come out lopsided that immigration is a net economic plus for our country. And it can be in all sorts of ways, whether it is lower skilled workers, as I said, high skilled or entrepreneurs.

Ms. SALAZAR. So why do you think that we have not been able to pay attention to what the marketplace is saying? You say that you are an economist. How do you interpret?

Mr. KEATING. Well, I think—again—yeah. I think the—I think it is politics overruling economics, unfortunately. I think—listen. We also—we have history. We are an entrepreneurial nation. We are a pro-immigration nation. We are a nation of immigrants; it is true. But we have also had our battles along the way where we have not been, at various times, you know, exactly friendly towards immigrants. So I think, to the extent that we can talk about how immigrant workers, for example, new immigrants coming to this country are willing to work, they are complementary to the people that are already here.

So, for the most part, overwhelmingly—I mean, it is not even close—they are not taking jobs from somebody else. They are add-

ing to the economy. And that is the part, I think, that we economists fall down on, right. We have to tell people that additional producers, additional consumers, and additional entrepreneurs all lead to economic growth. It is not a case that the pie is only so big, and we are going to divvy it up. So I think it is talking more about growth and how immigration can help.

Ms. SALAZAR. And, finally, in the last minute that I have, I wanted to go back to the line that you said, that some people believe that new immigrants or newcomers are going to be taking jobs away from Americans. Why isn't that true?

Mr. KEATING. Because, as I said, they—what you see in the research and, you know, in terms of economics straightforward is that they come in and largely are doing work that other people aren't doing. Either they don't want to do it, or we don't have enough people doing it. So, again, in filling those needs, those vacancies, that is how we say they are complementary workers. So, therefore, they are helping other people to be more productive. So it is a good news thing for everybody. But sometimes you would never understand—well, oftentimes, you don't understand that, listening to the politics of it.

So, again, I think if we can get back to understanding the role that immigrants have in the workforce and their role in entrepreneurship, I think we can make some great headway in getting to a more constructive immigration policy.

Ms. SALAZAR. So I like this complementary workers.

Mr. KEATING. Yes. That is what they do, yeah.

Ms. SALAZAR. Very good. Well, sir, thank you for explaining that to us. So you are telling me that it is up to us, the public servants, the people that have been elected, the politicians, to learn and to explain to the rest of the American population that the immigrants are coming to give, not to take away?

Mr. KEATING. Absolutely. And, to the extent that we have political leaders that can do that, that is a huge plus to talk about, again, being a welcoming society and talking about how this is pro-growth, and it is good for everybody.

Ms. SALAZAR. Thank you.

I yield back.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

Thank you so very much to all the witnesses.

Mr. Keating, I didn't have time to ask you a question, but I really appreciate your answers to Ms. Salazar regarding immigration. I think this is a part of a discussion that needs to happen among Members of Congress and that we approach this issue with the honesty that it requires.

With that, I want to thank all of the witnesses for being here today. Your testimony is proof that, even in the darkest of times, the spirit of America's entrepreneurs shines bright. The post-pandemic economy presents many opportunities and challenges for small business owners. As the voice of small businesses in Washington, we must work as a committee to support these new business owners and help their firms flourish. These new businesses will be critical as we work towards full economic recovery and future growth. I look forward to working with Committee Members

to ensure that small businesses have the resources they need to navigate this changing economy.

I ask unanimous consent that the article and report by the Kauffman Foundation entitled "America's New Business Plan" is submitted for the record.

With that, I will ask unanimous consent that Members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

If there is no further business to come before the committee, we are adjourned. Thank you.

[Whereupon, at 12:06 p.m., the committee was adjourned.]

A P P E N D I X

Eliza Revella Diop
CEO - Eliza Revella CS LLC
October 31, 2021

To The United States Congress,

My name is Eliza Diop and I am a mother and business owner from Los Angeles, CA. My company is Eliza Revella Consulting Services and my brand is known widely online as Ellie Talks Money. I help people start & scale their businesses through strategic coaching & educational business courses.

I am speaking with you all today because I wish to testify regarding my entrepreneurial success in the last year and my belief that now there is more access to entrepreneurship than ever before.

My path to entrepreneurship wasn't one that many would expect. I became a business owner because I had to.

In 2019 before giving birth to my twins I was laid off from my job working as a Director of Sales. A few months later here I was with newborn twins and on the brink of divorce from my husband. It was nearly impossible to find work at that time due to my situation.

I continued to apply for jobs despite that and although I was called to several interviews, I was never hired. In early 2020 before the pandemic began in March, I finalized my divorce from my husband of 7 years and moved back home with my 4 children to live with my mother.

This was a humbling experience because I had always lived on my own independently. I got married at 20 years old, so I found myself making another big life transition by getting divorced and moving back home at age 27.

When I moved back home, I applied to more jobs, 53 to be exact. None of them hired me despite my years of experience. This was my first

intense moment of reflecting on the notion that starting my own business wasn't a choice any longer, but a necessity.

As I continued to strive towards employment and begin planning out a potential business, I continued to receive public assistance until the stimulus checks arrived mid-May.

When I first learned that the stimulus checks were coming in April, I began to plan how I would use it and I envisioned that it could be the exact investment I needed to start my business.

When it arrived, I immediately put the \$1200 to use. I purchased a few domains, built my website, purchased my LLC, upgraded my phone, bought a ring light and subscribed to a graphic design program I would need.

From there, I began market research to identify how my skills in sales, business, finances and marketing could be put to use. I realized that Black and woman owned small businesses were in need of digital marketing strategy, sales, marketing and funding so I decided to create social media content directed exactly to that audience. I knew that in doing so, they would discover my content which would bring awareness to my brand and business.

I treated my new business with the same intensity that I would have treated a job. While I didn't turn a profit for my first few months, my social media presence consistently grew and I knew that my marketing was working.

I leveraged free platforms like Instagram, Twitter and Facebook to promote myself and my business. I did not have the money to run ads, so I used organic marketing to grow. Starting with limited funds actually pushed me to add more value to my content and promotion so that it could drive traffic to my business without paid advertising.

After 5 months of consistently promoting, posting and using all of social media's tools, I made my first \$100k.

This was a milestone moment for me because I realized that from there, anything was possible. I continued to preserve and remain consistent in my pursuit of success. By my 10th month in business, I had made my first \$1,000,000.

I continued to leverage social media to build my audience and gain more customers. This helped me to continue to scale to a multi-million dollar business in its first year.

I am a testament to the fact that Digital entrepreneurship has created unprecedented access to customers across the world. It is providing access for people to start businesses and actually become first generation millionaires, build wealth for their families and more. At this moment, the barrier to entry for entrepreneurship is low and everyone has a chance to succeed.

Platforms like Instagram, Twitter, Tik Tok and YouTube give all of us the platform to share content, information and products directly to our intended audience. This can happen without paid advertising or media connections - purely through a decision to start, market research and consistent content creation.

I hope that my story shows other Americans that you don't need a perfect start in order to start your business and begin your entrepreneurship journey. Use what funds you have available to gather the necessities and the rest you can make happen through the tools we all have available to us through social media. You just need dedication, decisiveness, consistency, and faith.

We live in a time where entrepreneurship is more accessible than ever. There is no better time to be an entrepreneur than right now.

Testimony of Andrew Fogaty
Executive Director,
36Squared Business Incubator
Chicago, Illinois

Good morning, Chairwoman Velázquez, and distinguished members of the committee.

My name is Andrew Fogaty, I'm with the 36Squared Business Incubator in Chicago. I also oversee two of the Illinois Small Business Development Center locations, one at 36Squared and one at the Greater Southwest Development Corporation. Both locations are also part of the City of Chicago's Neighborhood Business Development Center Program. This means that myself and my colleagues, both across the city and the state, provide business assistance, training and advising to area residents at no charge.

In addition, I also serve as a volunteer mentor with the Gallery Business Incubator in Evanston, Illinois.

I want to thank Congress for inviting me to participate in this hearing and also for the quick action that was taken last year with programs like the Economic Injury Disaster Loan, Paycheck Protection Program and CARES Act funding.

Given that this was the first time that an unforeseen disaster affected virtually every business in the country, I think that the actions of Congress and the SBA were key to averting what could have been a much more serious crisis. These programs continue to help save businesses and jobs across the nation.

Thank you for that.

That being said, the small business landscape has changed, and serious challenges remain. The subject today is "Entrepreneurship in the New Economy." And my testimony will focus on four main areas:

Access to capital, reducing the digital divide, manufacturing, and working with underserved communities.

Access to capital for small businesses, and especially startups, remains a challenge. In fact, if a business needs a small loan of 10 or 20 thousand dollars, I'm only aware of one bank in Chicago, CIBC, that actively markets programs to meet that need. There are, of course, also some nonprofit lender options. However, these are typically at a higher interest rate and less desirable than a bank loan.

I would like to see more banks offering micro lending and startup funding and I would like to see the reporting process for lenders streamlined to make small business lending more attractive. It is my understanding that there is new legislation to significantly increase reporting requirements on all small business loan applications. I am concerned that this may negatively impact my clients. Access to capital is key to supporting entrepreneurship in the new economy."

Next, I'd like to address computer literacy. The digital divide is real. Today computer literacy, and basic business training, are as key to a entrepreneurs' success as being able to read and write was 20 years ago. We need to do better with this by making basic computer skills training and business assistance programs widely available across the country. In fact, when CARES act funding ends next fall, many small business development programs across the country will see a decrease in capacity. This is a concern.

Next I would like to address manufacturing. Last year's difficulty in obtaining vital PPE supplies, and this year's supply chain issues, demonstrate a clear need to support our domestic manufacturing capabilities.

Certainly a simplification of the federal procurement process would be a start.

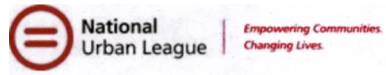
Finally, I'd like to discuss the underserved population. Here on Chicago's southside we have a diverse and vibrant small business community, including a significant number of immigrant business owners who hold ITIN's instead of social security numbers. Currently these business owners are shut out of most SBA lending programs. I certainly don't presume to jump into the immigration debate. However, if a business seeks to expand, buy equipment, a building or create jobs, I would like to be able to present the same options to all my clients.

Perhaps the most disadvantaged of the underserved communities are the disabled population.

Advances in technology are making small business ownership a much more viable option for our disabled population. This is a trend that is only going to increase in the coming years.

I would like to see more of an effort made to include these entrepreneurs into the wider business development world.

Thank you and I look forward to your questions.



Testimony of Stephanie DeVane
Vice President of Entrepreneurship & Business Development,
National Urban League

Hearing of the House Committee on Small Business:
"Entrepreneurship in the New Economy."

November 3, 2021

Chairwoman Velázquez, Ranking Member Luetkemeyer and members of the House Committee on Small Business, thank you for the opportunity to testify at today's hearing titled: "Entrepreneurship in the New Economy." My name is Stephanie DeVane and I am the Vice President of Entrepreneurship & Business Development at the National Urban League. I bring you greetings on behalf of Marc Morial, our President and CEO.

The National Urban League is an historic civil rights, community-based organization dedicated to economic empowerment and the guarantee of civil rights for African Americans and other underserved communities in America. As a national nonprofit intermediary, we provide direct comprehensive services that improve the lives of nearly two million people each year, through our affiliate network of 91 Urban League affiliates in 36 states and the District of Columbia.

National Urban League Entrepreneurship Center Program

As the Vice President of Entrepreneurship & Business Development, I manage, oversee, and advocate on behalf of 12 Urban League Entrepreneurship Centers located in Atlanta, GA; Baltimore, MD; Chicago, IL; Cincinnati, OH; Cleveland, OH; Houston, TX; Jacksonville, FL; Las Vegas, NV; Los Angeles, CA; New Orleans, LA; Philadelphia, PA; and Washington DC. The National Urban League's Entrepreneurship Center (EC) Program provides management counseling, mentoring, and training services for entrepreneurs looking to start, grow or scale their business. Services include comprehensive business planning and support, financial/credit education, access to capital, business to business networking, contracting/procurement opportunities, and certification. The skills learned will enable minority entrepreneurs to improve operations, increase capacity, obtain financing and contracts, and better serve their customers, with the goal of creating jobs that will lead to sustainable businesses, and ultimately generate wealth for themselves, their families, and communities.

Our centers serve entrepreneurs of all racial, gender and socio-economic demographics, but the most frequent Urban League Entrepreneurship Center Program client is an African American woman, who is earning a low to moderate income and has an existing business.

Results through December 31, 2020 show that our Entrepreneurship Centers served approximately 23,928 participants through counseling (10,098 sessions) and training (attendance of 13,830) activities. We helped clients to secure \$108.6 million in financing and contracting opportunities, as well as save or create 714 full and part-time jobs.

Impact of Pandemic on Black Owned Businesses

The COVID-19 pandemic and resulting economic disruption has disproportionately impacted minority owned businesses. According to a National Bureau of Economic Research Analysis of the impact of COVID-19 on small businesses, from February to April 2020, an estimated 41 percent of Black-owned businesses, 32 percent of Latino-owned businesses, and 26 percent of Asian-owned business closed while 17 percent of white-owned businesses closed.¹ Black-owned businesses overwhelmingly operated in sectors more likely to be exposed to the effects of the pandemic – namely, healthcare, social assistance, hospitality, retail, and face-to-face businesses – or in industries that faced prolonged shutdowns as a result of the social distancing guidelines enacted by states and localities to protect their citizens.

The COVID-19 pandemic also exacerbated existing structural inequities in small business lending. For Black and Latino business owners, the racial wealth gap and implicit bias have made securing access to capital exceedingly difficult. A study by the Stanford Institute on Economic Policy found that only one percent of Black business owners get a bank loan during their first year of business, compared to seven percent of white business owners.² Unsurprisingly, a national survey of over 8,000 small businesses conducted from October -November 2020 found that only twenty-nine percent of Black businesses secured Paycheck Protection Program (PPP) funds – the Federal government’s signature small business COVID-19 pandemic relief and recovery program, compared to sixty percent of white-owned small businesses.³ Lack of financial empowerment – strategic planning and financial management skills – on the part of business owners themselves and the discriminatory decision by many banks to only do PPP loans with existing customers contributed to this deficit of PPP funds within minority communities. This left many businesses owners without the financial reserves to sustain their businesses during the pandemic.

Nevertheless, the pandemic was not without some green shoots. Our Entrepreneurship Centers have witnessed Black-owned businesses experience an increase in sales in the wake of the racial justice movement that occurred in the spring and summer of 2020. How long this will last remains to be seen, but it is a positive.⁴ We have also seen a slight surge in the population of Black-entrepreneurs – some are rebuilding or reopening stores that closed early in the pandemic, other workers have lost jobs and are now starting their own businesses to survive, while others are starting their long-time passion projects or “side hustles” or were inspired by the social justice climate and the post-pandemic culture of work and are finding the pandemic the opportune time to become an entrepreneur.

¹ <https://www.nber.org/reporter/2020number4/covid-19-small-business-owners-and-racial-inequality#2>

² <https://siepr.stanford.edu/sites/default/files/publications/17-003.pdf>

³ <https://irp-cdn.multiscreensite.com/45d2c930/files/uploaded/Distribution%20Version%20%2812.10.2020%29%20for%20RM%20Poll%20Launch%20v1.pdf>

⁴ <https://www.mckinsey.com/about-us/covid-response-center/inclusive-economy/black-owned-businesses-face-an-unequal-path-to-recovery>

National Urban League Entrepreneurship Centers

To meet the needs of our entrepreneur-clients, National Urban League Entrepreneurship Centers undertook precautionary measures to ensure the safety of staff and clients by developing contingency plans; including telework, cancelation of all nonessential travel, and rescheduling in-person meetings to video and audio calls. They conducted training, workshops, and counseling sessions through digital/telephonic means with clients on their phones, tablets, and laptops. They hosted webinars to guide entrepreneurs through the disaster loan application process, address questions, and assist with gathering of documents and information for small businesses experiencing cash flow issues as a result of this crisis. They also disseminated key information and updates from the Small Business Administration and other agencies, as well as guidance on specific resources from partner organizations. Finally, they provided general information and updates on COVID-19 and links to resources to help entrepreneurs manage business processes and develop disaster recovery plans.

In June 2020, we received a one-year CARES ACT Award from the Minority Business Development Agency (MBDA) which enabled our Entrepreneurship Centers to provide small business and minority business enterprises with technical assistance, training, education, and advisory services to fill the gaps revealed by the COVID-19 pandemic.

Services provided with support from the CARES Act award included:

- increasing access to capital and business resiliency;
- identifying and mitigating economic effects arising from lack of systems in place to maintain operations and prevent business disruption;
- identifying and mitigating inadequate financial management practices which increased risk and reduced profitability;
- and identifying and changing less flexible operating models that could not easily be shifted during stay-in-place mandates and contributed to loss of the business, staff, or revenue.

The Entrepreneurship Centers also provided overviews of their services to webinar attendees and collected their contact information to determine whether they were located in a Qualified Low-Income Community or rural area in order to provide the necessary follow up counseling required to continue to address and mitigate these critical post-COVID-19 priorities that formed the basis of the National Urban League's webinar series.

Our goal was to train 1,000 attendees and track and survey all participants. We trained 1,238 attendees, 24% above goal. With regard to counseling and training activities for the June 1, 2020 – May 31, 2021 period for all 12 Entrepreneurship Centers: our goal was to counsel 15 attendees per site, per month over a 10-month period (1,800 clients), track and survey all participants and enroll at least 25% of webinar attendees (250 total) in further Entrepreneurship Centers supports and technical assistance. Results through May 31, 2021, show our 12 Entrepreneurship Centers served approximately 11,253 clients through counseling (5,100 counseled in 13,300 sessions over 15,800 hours) and training (7,100 trained with attendance of 14,600 over 33,200 hours) activities. We helped clients to secure \$137.6 million in financing and contract opportunities, as well as saved or created 1,174 full and part-time jobs.

I also note that the National Urban League was just awarded a \$5 million Small Business Administration Community Navigator award which will allow us to work with 25 Urban League Affiliates to reduce barriers for minority-owned businesses through critical support and resources.

Private Sector Support for Minority Owned Business Development

Anecdotally, because of the increased attention focused on racial inequities following the murder of George Floyd, Breonna Taylor, and Black Lives Matter protests, our Entrepreneurship Centers have also experienced increased interest from corporations and philanthropic organizations in support of our entrepreneurship work in saving, growing, and launching minority-owned businesses.

Earlier this year, the National Urban League launched the \$10 million Black Restaurant Accelerator Program in partnership with the PepsiCo Foundation to help address systemic barriers faced by Black-owned food service companies in the time of COVID-19. With this support, our Entrepreneurship Centers are able to provide coaching and training services needed to help these businesses build an actionable plan for growth with the objective of profitability and sustainability. So far, we've issued cash grants of \$10,000 each to 100 Black-owned foodservice businesses and provided businesses with hundreds of counseling and training hours.

In addition, we launched the Advancing Black Entrepreneurs Education Program in partnership with Chase for Business to help 1,200 Black business owners recover in the wake of the pandemic. Eight Entrepreneurship Centers presented the *How to Use Cash Flow to Maximize Your Business's Success* curriculum which covered topics such as identifying gaps in cash inflows and outflows; increasing cash in (with tips to collect revenue, get paid faster and identify higher income streams); and decrease cash out (with ways to evaluate business needs, improve efficiency, and optimize spending). In the second quarter of this year, our eight Entrepreneurship Centers presented the *Your Next Level Business* curriculum which included topics such as how to establish a foundation for sustainable business growth and developing agility and resilience to help your business navigate challenges.

Our centers have helped countless entrepreneurs triumph despite the odds. Allow me to share the story of Beaucoup Eats, a New Orleans neighborhood eatery that serves up Creole comfort cuisine and provides full-service catering and meal prep services. As a result of COVID-19 mandates for social distancing in New Orleans, many full-service restaurants had to transition their business to take-out and delivery only. This was the case for Beaucoup Eats. Early on during the pandemic, owners Corie and Lakeisha Reed knew that they needed to find a way to safely return to dine-in. To do this, they decided to create an outdoor seating space with tents to safely distance guests while they socialized. Using the funding from the National Urban League's Black Restaurant Accelerator Program, the owners were able to purchase outdoor tents and seating. They also created a brunch event every Sunday to maximize the use of the outdoor seating space. This is what owner Kecia Reed had to say about the program:

"When the pandemic started and we had to shut our doors, we immediately knew we had to move on to an outdoor seating style to keep business going. We reached out to the Sheriff's department, and we were renting tents every week although our revenue didn't support that model. When we heard about this opportunity with PepsiCo, we were very grateful to be considered and picked. The grant from PepsiCo allowed us to purchase 3 tents which meant we could serve at least 50 people and overhead cost were lowered. Given the current 72-hour test or Vaccine Card mandate for inside eating and the inside reduction, we were only able to accommodate 6 to 10 people on the inside at any given time. Without the assistance of this grant, we wouldn't be able to generate the revenue needed to stay in business during this ongoing pandemic." – Kecia Reed, Beaucoup Eats

Forging an Inclusive Recovery for Minority-Owned Businesses in the New Economy

Black-owned small businesses continue to experience a slower path to returning to their pre-pandemic employment levels and face a more uncertain recovery path relative to their peers. In June 2021, McKinsey & Company reported that Black-owned businesses are 20% less likely to get a loan than businesses with white owners, and these businesses often lack access to a supportive network due to implicit bias and the legacy of racism.⁵ A September 2021 Federal Reserve study found that that 51% of Black-owned businesses have less than three months of cash reserves in case of an emergency or another COVID shutdown – a figure nearly 7% greater than their peers.⁶

Some minority-owned businesses have benefitted from the temporary surge in investments by the private sector and government, but this is not enough to ensure that Black entrepreneurs benefit equitably from the Nation's economic recovery and to sustain their growth well-beyond the pandemic. We urge Congress to enact civil rights protections that reduce longstanding racial disparities in access to capital, mentorship, and technical training to ensure a full economic return for minority-owned business. To that end, the National Urban League offers the Committee the following policy recommendations:

1. Enhance Outreach Campaigns to make Federal Programs more Accessible.

The Minority Business Development Agency (MBDA) has long been one of the Federal government's best tools to address the historic barriers to small business ownership faced by minority entrepreneurs. To better support the MBDA's mission in the coming years, Congress should codify the Minority Business Development Agency as a permanent part of the Federal government. Congress should also robustly fund MBDA programs to better support the agency's capacity to develop and sustain minority-owned businesses while helping to build a diverse pipeline of entrepreneurial talent in the coming years. The Bipartisan Infrastructure Framework would codify and boost MBDA funding, provide grant eligibility to national nonprofit organizations that serve as small business incubators and establish regional office. We urge members of the committee to support this package when it comes to the House for a vote.

2. Increase Access to Capital:

The lack of stable and affordable lending options provided in the private market portends poorly for the many small business owners hoping to recover from the economic hardships posed by this pandemic. To better support the long-term growth of these small businesses in the communities they serve, we support the creation of a Federal small-dollar loan program that provides lower down-payment requirements than conventional loan products and capped interest rates. Such a program would also help protect small business owners from being preyed upon by abusive payday loan companies, which too often offer loan products with unaffordable balloon payments, hidden fees, and exceedingly high interest rates.

⁵ <https://www.mckinsey.com/about-us/covid-response-center/inclusive-economy/black-owned-businesses-face-an-unequal-path-to-recovery>

⁶ <https://www.goldmansachs.com/citizenship/10000-small-businesses/US/infographics/the-covid-surge-is-slowing-the-road-to-recovery/index.html>

3. Support Pathways to Prime Federal Contracts:

We also support efforts to establish grant programs that seek to provide increased Federal assistance to small subcontractors in an effort to enhance their ability to become prime government contractors. To that end, we support the Administration's inclusion of proposal in the Build Back Better legislation that seeks to create and adequately fund a Federal program tailored to assist small business subcontractors seeking to become prime contractors.

4. Increase Minority Incubator Support:

We also support efforts to spur economic development in underrepresented communities by establishing a national network of business incubators that seeks to grow the Nation's next generation of minority entrepreneurs, including through the use of national and community-based nonprofit organizations.

5. Enhance Technical Assistance:

We support the creation of a \$400 million program designed to support underrepresented small businesses with a focus on technology, research, and development in their efforts to expand their capabilities. The recipients must assist new small businesses and specifically prioritize small business owners that are underrepresented.

On behalf of the National Urban League, we appreciate the Committee's consideration of these proposals and commit to working with you on solutions that ensure all small businesses benefit equitably from this recovery and can build back better in the new economy.

This concludes my testimony. I look forward to your questions.



Entrepreneurship in the New Economy

**Testimony by
Raymond J. Keating
Chief Economist
Small Business & Entrepreneurship Council**

**Before the
Committee on Small Business
U.S. House of Representatives**

**The Honorable Nydia Velazquez, Chairwoman
The Honorable Blaine Luetkemeyer, Ranking Member**

November 3, 2021

Chairwoman Velazquez, Ranking Member Luetkemeyer, and Members of the Committee, thank you for hosting this important hearing today on “Entrepreneurship in the New Economy.” The Small Business & Entrepreneurship Council (SBE Council) is pleased to submit this testimony.

My name is Raymond J. Keating, and I am the chief economist for SBE Council, and over the years have penned a wide range of studies related to entrepreneurship and the economy, and as an author and publisher of my own books have firsthand experience as an entrepreneur. Also, for a decade, I taught a variety of courses to MBA students, including, for example, advanced innovation and entrepreneurship.

I am honored to be a part of this hearing today representing SBE Council, an advocacy, research and education organization dedicated to promoting entrepreneurship and protecting small businesses. For more than 26 years, SBE Council has worked to strengthen and improve the ecosystem for startups and small business growth. SBE Council is engaged at the local, state, federal and international levels on policies that enhance competitiveness, and improve the environment for business start-up and expansion, and economic growth.

Vital Entrepreneurship

Why does entrepreneurship matter? Entrepreneurs take on risk and uncertainty in order to innovate, introduce new products and services, and find better ways to do things, and by doing so, they boost productivity, enhance competition and choice, fuel economic growth, and create new jobs. Indeed, among the competitive advantages that Americans have in the global marketplace is our entrepreneurial tendencies or entrepreneurial drive arguably is paramount.

Of course, there are all kinds of entrepreneurs contributing to our economy. Economist Joseph Schumpeter emphasized the innovative entrepreneur who drives the process of “creative destruction,” whereby new products and industries overturn the old. In this sense, the entrepreneur is a creator. Other entrepreneurs, as economist Israel Kirzner noted, for example, discover and act on existing, but heretofore-unnoticed profit opportunities. They see markets or niches not being served, and step in to do so.

Schumpeter and Kirzner were 20th century economists, but the term “entrepreneur” has been around since the 13th century. And it was the early-19th century economist Jean-Baptiste Say who gave intellectual heft to the word, by identifying entrepreneurs as those who create value by shifting resources from less productive to more productive undertakings.

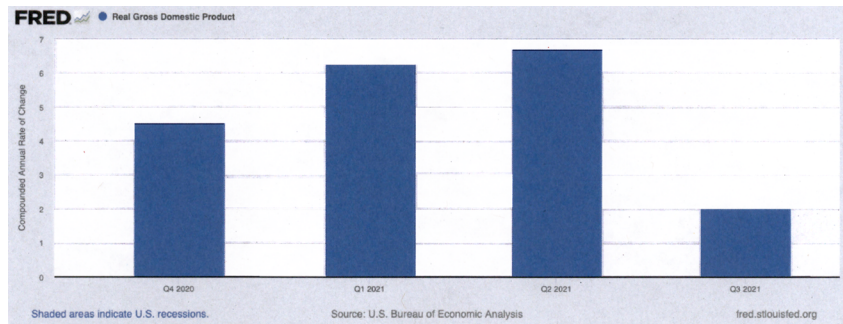
And the case can be made that the entrepreneur has only become more essential to our well-being in this 21st century economy that is so dynamic and fast-changing given how technology has empowered individuals, expanded competition, and opened new opportunities from our local towns to reaching customers globally.

Entrepreneurs, along with the investors who are essential for funding startups and business growth, are central to the economic, income and employment growth we all want to see happen.

State of the Economy

As for our economy, where do we stand as we work to emerge from a pandemic that has taken such a heavy toll in terms of lost lives, illnesses, and severe economic costs?

Unfortunately, as I noted in a recent SBE Council [analysis](#), the recovery from the pandemic slowed dramatically in the third quarter of this year. Real GDP (on a seasonally adjusted basis at an annual rate) grew at a mere 2.0 percent in the third quarter, down from 6.7 percent in the second quarter and 6.3 percent in the third.



Source: Federal Reserve Bank of St. Louis, FRED

The consumer pulled back, with real personal consumption expenditures (PCE) growing by only 1.6 percent, including spending on goods declining by 9.2 percent thanks to a drop off of 26.2 percent in spending on durable goods.

As for business investment, which is essential for current and future economic growth, real nonresidential business investment in the third quarter grew by only 1.8 percent. That was down from 12.9 percent in the first quarter and 9.2 percent in the second quarter. Investment in equipment declined by 3.2 percent in the third quarter, with structures investment dropping by 7.3 percent. The lone area of strength for business investment was a 12.2 percent increase in intellectual property products, including software.

Nonresidential (or housing) investment dropped by 7.7 percent in the third quarter, and that came after a decline of 11.7 percent in the second quarter. Of course, housing had been running hot in the second half of 2020 and into early 2021.

Trade was a mixed bag. Real exports declined by 2.5 percent in the third quarter. In fact, exports have fallen in two of the last three quarters. As for imports, they grew overall by 6.1 percent (keep in mind that nearly all imports are inputs to U.S. businesses), but while goods imports declined by 0.1 percent, service imports jumped by 44.4 percent.

Finally, inflation was unmistakable. The GDP price index – one of the broadest measures of prices – jumped by 5.7 percent in the third quarter, after annualized increases of 6.1 percent in the second quarter and 4.3 percent in the first quarter.

The most recent GDP data is troubling. By the second quarter of this year, entrepreneurs, investors, businesses and workers worked to get the economy (that is, our economic output) back to where it was pre-pandemic. However, we still face the task of getting back to where we should be, given lost growth, and then maintaining strong growth thereafter.

Unfortunately, two percent growth is anemic under *normal* circumstances, given that the U.S. economy on average should be growing at better than 3 percent and during non-recession periods at better than 4 percent (based on post-World War II data).

At 2 percent growth, U.S. economic under-performance will be extended far into the future. We obviously need to do much better. That leads us to consider the state of entrepreneurship and small business, which stand as key sources of innovation, growth and job creation.

State of Entrepreneurship and Small Business

We know from various surveys that the pandemic has had a devastating effect on small businesses, with estimates of closed small businesses at various times over the past 20 months ranging from hundreds of thousands into the millions. That, of course, reflects the fact that the U.S. very much is a small business economy, with Census Bureau data telling us that the share of U.S. businesses with fewer than 20 workers stands at 98.0 percent, and the share with fewer than 10 employees registers 96.0 percent.

As for data telling us the very latest on the state of entrepreneurship, it is sparse. For example, the Census Bureau data has a multi-year lag. But what we can see from the Census data is that entrepreneurship was, at best, lagging in recent years.

The number of businesses with employees in the U.S. – that is, employer firms – registered just over 6 million in 2007 and stood at just over 6 million in 2018. So, there in effect was no growth for over a decade, which ran contrary to the rather steady growth witnessed over the previous 20 years.

As for nonemployer businesses, that is, the one-person business, they registered 21.7 million in 2007, and had risen to 26.5 million in 2018. That's certainly positive and welcome. However, it also should be noted that from 1997 to 2007, nonemployer businesses grew by 41 percent, but from 2007 to 2018, growth registered 22 percent. So, growth did slow markedly.

The point here is that entrepreneurship was lagging before the pandemic.

Another view on entrepreneurship comes from self-employment data courtesy of the U.S. Bureau of Labor Statistics data. And these numbers, fortunately, are updated with each month's employment report, so we can get some insights since the pandemic hit. There actually are two sets of data, that is, unincorporated self-employed and incorporated self-employed.

In recent times, *incorporated* self-employed fell from 5.78 million in 2008 to 5.13 million in 2011 with the Great Recession. It climbed back to 5.85 million in 2017.

So, it took nearly nine years for the number of incorporated self-employed to get back to its 2008 level. That was followed by no growth in 2018. But increases in the following two years took the number of incorporated self-employed to 6.28 million in 2020.

However, from October 2020 to September 2021, the monthly tallies (not seasonally adjusted) ran lower than the same month in the previous year. So, we've seen a decline in self-employment by this measure over the past year.

There's more to the self-employment story.

Over the longer term, the number of *unincorporated* self-employed declined from 10.59 million in 2006 to 9.36 million in 2014. Uneven growth resumed, with the level hitting 9.71 million in 2018. However, that was followed by marked declines in 2019 and 2020. The 2020 level of 9.25 million was the lowest since 1983. Again, this is not surprising given the pandemic.

However, over the past five months of data, from May to September 2021, we've seen a notable leap up in the number of unincorporated self-employed (seasonally adjusted data.) The numbers jumped from 9.65 million in April to 10.02 million in May, dipping below 10 million once more in June, but then staying above 10 million during July, August and September, with the September number coming in at 10.14 million.

Consider that the last time prior to these last few months that the number of unincorporated self-employed were above 10 million was in 2008.

Now, let's combine incorporated and unincorporated data to get a broader, or more complete, look at the trend in self-employment.

The *total* number of self-employed (incorporated plus unincorporated) hit 16.15 million in 2007, but then declined for five years, registering 14.72 million in 2013. Some growth resumed, with the total climbing back to 15.72 million in 2019, and then dropping to 15.54 million in 2020. So, as of 2020, the level of total self-employed remained below the 2007 recent high.

As for the most recent month's data (not seasonally adjusted), the tally in September 2021 was 16.38 million, which was up from September 2020's 15.82 million, and from the 15.9 million in pre-pandemic September 2019.

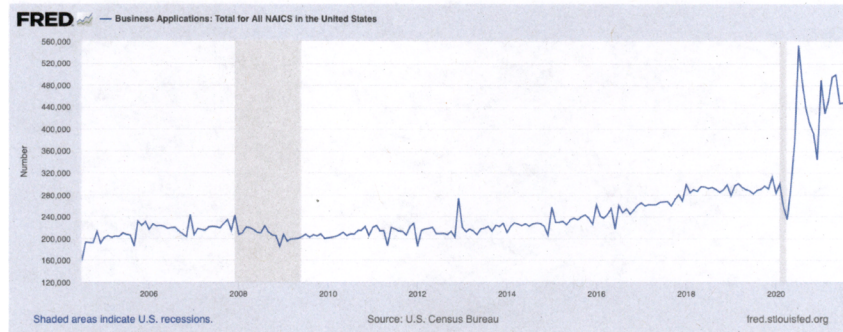
Obviously, seeing some life in the self-employment totals is welcome. But perhaps the key takeaway from the self-employment data is that the September 2021 number was essentially at the same level as registered in September 2007 (16.2 million). That's fourteen years of no growth. Again, we need to do better.

Another set of data has been a beacon of hope regarding entrepreneurship.

The U.S. Census Bureau reports on business applications for tax ID numbers. These applications serve as an indicator for future actual business formations. While this data set only goes back to the early 2000s, there has been a strong relationship between these applications and business formations happening sometime over the coming four to eight quarters.

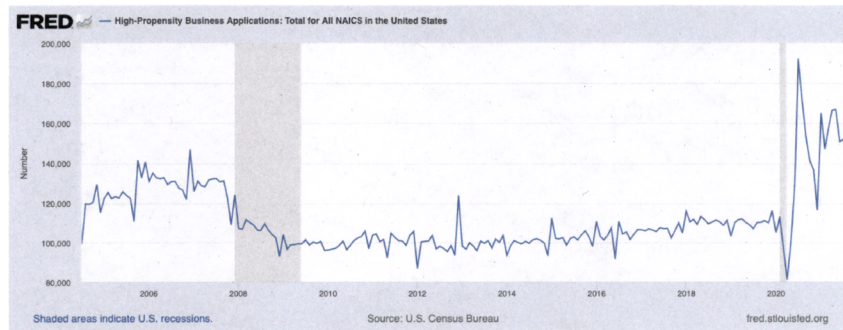
After suffering big declines when the pandemic first struck, the number of business applications (seasonally adjusted) skyrocketed beyond where they had been prior to the pandemic. As noted

in the latest [report](#) from the U.S. Census Bureau, business applications for tax ID numbers registered 431,381 in September. That marked 16 straight months of applications running far ahead of where they had been before the pandemic struck. (See the following chart.)



Source: Federal Reserve Bank of St. Louis, FRED

For good measure, high-propensity business applications – that is, applications that have a high likelihood of turning into businesses with employees – also continued to run well ahead of pre-pandemic levels, coming in at 145,628 in September 2021. (See the following chart.)



Source: Federal Reserve Bank of St. Louis, FRED

The data on business applications provide hope for a recovery in entrepreneurship, which would feed into economic recovery and expansion. The historical relationship indicates that there is reason for hope here, although it also must be noted that a pandemic economy is uncharted waters, and with so many people losing their jobs, one has to wonder how many filed business applications out of desperation or as some kind of insurance.

At the same time, the expansion of the “gig” economy would support this data, as would more people positively considering entrepreneurship due to their pandemic experiences. Speaking of his own entrepreneurial journey, Walt Disney once said, “When you can’t get a job, you start your own business.”

Challenges for Entrepreneurs and Small Businesses

Among the challenges faced by entrepreneurs, some are evergreens, while others are specific to our current situation.

For example, a key evergreen is financing one’s enterprise. At the very beginning, entrepreneurs start with their own savings, and they tap family and friends for funding. But at various stages of growth, they need to gain the interest of investors, that is, the investors who have the funds to invest. Quite simply, it is wealthy people who have the wherewithal to supply the financial capital that entrepreneurs need to grow their businesses, again thereby driving economic and job growth. Depending on the stage of development, angel investors or venture capitalists are needed to grow businesses. So, contrary to widespread assumptions, just as workers and business owners need each other to make a business function and succeed, they also need individuals with the ability and willingness to lend and invest.

But then there are, as mentioned, challenges specific to our current situation, such as labor shortages, supply chain challenges and inflation.

Let’s first consider the labor shortage issue by putting it in the context of the current overall labor market.

First, the latest MetLife/U.S. Chamber of Commerce [survey](#) of small businesses, conducted between September 30 – October 7, 2021, is one of many surveys and reports on hiring challenges for small businesses. It found:

- 44% of small businesses are finding it harder to fill open positions (up 10 percentage points since June).
- 36% of small businesses are actively looking, recruiting, interviewing and hiring (up 3 points since June).
- 49% of those employers actively engaged in the hiring process are struggling to find candidates with the skills they need (up 15 points since June).

Given these problems, let’s consider the latest employment [report](#) from the U.S. Bureau of Labor Statistics. And we must note that this monthly employment report actually is two reports, or at least based on two separate surveys. The BLS notes:

“This news release presents statistics from two monthly surveys. The household survey measures labor force status, including unemployment, by demographic characteristics. The establishment survey measures nonfarm employment, hours, and earnings by industry.”

So, the oft-cited payroll numbers come from the establishment survey, while the unemployment rate is from the household survey. However, these numbers need to be put in perspective with other data points that actually tell a more complete story on jobs for the month.

The establishment survey estimated that nonfarm employment increased by 194,000 in September 2021. That was considered lackluster given the number of jobs we still need to regain given the pandemic economy losses. Meanwhile, the household survey showed a large drop in the unemployment rate – from 5.2 percent in August to 4.8 percent in September. The unemployment rate, however, should not be taken at face value. The underlying numbers must be examined.

The household survey – which tends to better capture startup and small business activity – pointed to an employment gain of 526,000 in September, far more than the establishment survey. However, at the same time, the labor force in September shrank by 183,000. That means that the decline in the unemployment rate in September was partially positive (the gain in employment) and partially a negative (the decline in the labor force).

So, the employment-population ratio improved from 58.5 percent in August to 58.7 percent in September. But at the same time, the labor force participation rate declined slightly, from 61.7 percent in August to 61.6 percent in September.

We often hear people judging how tight the labor market is by the unemployment rate. But that misses too much, including the number of people not in the labor force. Looking at the labor force participation rate and employment-population ratio is more informative.

The trends shown in the following four charts show that the U.S. economy still has a long way to go in terms of getting the labor force participation rates for the general working age population, and for the key working-age group of 25-to-54 year olds, with the same going for the employment-population ratio.



Source: Federal Reserve Bank of St. Louis, FRED



Source: Federal Reserve Bank of St. Louis, FRED



Source: Federal Reserve Bank of St. Louis, FRED



Source: Federal Reserve Bank of St. Louis, FRED

Based on the charts above, we can see how businesses can be challenged not by a tight labor market *per se*, but by a labor shortage. It's not about not having enough people to work – well, to a certain point for the near term – but more about people apparently not willing to work. Neither the labor force participation rate nor the employment-population ratio – total and for those in prime working years – have climbed back to where they were prior to the pandemic, nor to where they were prior to the Great Recession.

And then we come to supply chain matters. They are real and, for many industries, significant.

The latest edition of the U.S. Census Bureau's [Small Business Pulse Survey](#) made clear that supply-chain challenges for small businesses have actually risen. Consider, for example, that the percent of small business owners in the latest survey (collected over October 11-17) facing delays/difficulties with domestic suppliers registered 45 percent. Three months earlier, that stood at 38.2 percent. Also, 19.7 percent cited delays/difficulties with foreign suppliers in the latest survey compared to 15.6 percent three months earlier.

The [debate](#) certainly rages over how long supply chain issues will run and how severe they will be, with Moody's pointing to more problems while JP Morgan's Jamie Diamond, noting, "I think great market systems will adjust for it like companies have." I think Diamond is correct. After all, market signals – such as prices, profits and losses – guide resource allocation. But the fact that these troubles actually have increased, as opposed to being remedied and the situations improving, speaks to just how disrupted the economy has been by this pandemic, and the significant amount of work that lies ahead in terms of returning to economic normalcy.

As for inflation, the numbers are undeniable.

The latest [Beige Book](#) from the Federal Reserve – an assessment of the economy based on interviews with business contacts, economists, market experts, and so on – noted the following:

"Most Districts reported significantly elevated prices, fueled by rising demand for goods and raw materials. Reports of input cost increases were widespread across industry sectors, driven by product scarcity resulting from supply chain bottlenecks. Price pressures also arose from increased transportation and labor constraints as well as commodity shortages. Prices of steel, electronic components, and freight costs rose markedly this period. Many firms raised selling prices indicating a greater ability to pass along cost increases to customers amid strong demand."

I have already noted that the GDP price index – a very broad price index – shows inflation, and so does Consumer Price Index (CPI). The latest [report](#) from the U.S. Bureau of Labor Statistics showed that CPI inflation ran at 0.4 percent in September, up a tick from the 0.3 percent in August, but down some from what prevailed from March to July (in the 0.5 percent to 0.9 percent range). Over the past year, inflation ran at 5.4 percent. And over the past six months,

inflation ran at an annualized rate of about 7 percent. That slowed to 4.8 percent over the past three months.

Inflation, which is the ongoing rise in the general price level, creates all kinds of problems. The woes of high inflation include greater uncertainty; more price volatility (in a high inflation environment, prices not only rise but changes tend to be volatile); increased costs, including for small businesses, such as higher interest rates and rising input prices; a diminished value of the dollar (for example, the dollar buys less today than it did a month ago); and higher taxes, as many taxes, such as capital gains levies, are not indexed for inflation.

Looking ahead, at best, this current inflation challenge will last for however long it takes for the economy to work through various shortages, such as on the labor and supply chain fronts. At worst, inflation will take firmer hold due in part to the loose monetary policy that the Federal Reserve has been running since 2008, thereby needing concerted policy actions to get under control, such as the Fed reining in the money supply while fiscal policy would need to move in a more pro-growth direction (more on this later). That was the policy mix in the 1980s that defeated inflation.

Expanding Opportunities for Entrepreneurs and Small Businesses

While the challenges are many for entrepreneurs and small businesses coming out of a pandemic, there also are expanding opportunities. Let's consider two areas generating greater opportunity for entrepreneurs, small businesses and their employees.

The first is technology. Whether it be in terms of generating new products, improving and enhancing production, and/or expanding distribution (from marketing to delivery), technological advancements in such areas as computer, digital and broadband technologies, for example, have served to expand opportunities for entrepreneurs. Social media, for example, has served to create and transform businesses.

SBE Council has long examined the effects of such technological changes on entrepreneurs and small businesses. Social media options, such as Facebook, Twitter and Google, have been critical to entrepreneurs and small businesses, especially in terms of reaching new customers and maintaining communications with customers in cost-effective ways.

Far too many small businesses that offer valuable goods or services have struggled or failed because they failed to connect with their niche market or target audience. Or, they may have failed because they fell short in maintaining communications with customers. Entrepreneurs, who understand that marketing is essential, including advertising, have been constrained by the amount of dollars available, and struggled with how best to spend the limited marketing dollars they have. Helping entrepreneurs and small businesses overcome these challenges in recent times has been an assortment of technological developments, which are ongoing, including social media.

Consider key findings from a September 2019 SBE Council [survey](#) on the importance of online advertising:

- “[F]or startups and new businesses, the availability of online advertising was identified by entrepreneurs as a key factor in launching their enterprises, with 80% agreeing that: ‘The ability to reach customers and potential customers was an important factor in starting my business.’”
- “Of the startups surveyed in our report, 90% agree that ‘Online advertising has provided my business with an affordable option to launch and/or grow my business,’ and 86% agree that the method is ‘important to my business survival and growth.’”
- “Small business owners report that they have also boosted the competitiveness of their businesses from new revenues generated by online advertising, which they say is extremely effective at driving new sales. In fact, 73% of small businesses stated that without online advertising ‘it would impact my ability to effectively market my products and services and to grow my business.’”
- “While most of the small businesses in the survey use a mix of online and traditional advertising like newspaper ads, mailings, radio, television and other methods (29% use online advertising exclusively and 71% use a mix), survey respondents pointed to key benefits of online advertising compared to traditional advertising such as: finding new customers leading to new sales (89%), the ability to target their intended customer base more effectively (88%), identifying new customers and prospects (87%), saving time on labor with regard to research, targeting, and other aspects of selecting appropriate methods for advertising my products/services (84%), they can more effectively compete with other businesses including larger businesses (82%), and increased value and higher return on investment on ad dollars spent (81%).”
- “Technology, obviously, has become an entrepreneur’s best friend. New innovations continue to produce cutting-edge tools for entrepreneurs to launch and grow their businesses. Thanks to the internet and cost-effective methods that help entrepreneurs target and reach potential customers, small business owners are experiencing very positive returns through online advertising, according to the results of our survey.”

Also, in February 2021, which was a year into the pandemic, the Small Business Roundtable and Facebook [released](#) the “U.S. State of Small Business: 2020 – A Challenging Year for SMBs.” Among the findings were:

- “34% of businesses have increased their use of online or digital tools since the pandemic began, consistent with other research (Deloitte 2020).”
- “In addition, more businesses started selling online for the first time. The proportion making no sales through digital channels in the past 30 days fell from 35% before COVID-19 to 13% in the 30 days prior to the December survey, and the proportion making 100% of their sales online rose from 13% to 20%.”
- “Many businesses have also used digital channels to advertise. 57% of businesses reported that they use social media to advertise, second only to the number using word of mouth (59%).”

And as for opportunities expanding in terms of distribution of products for entrepreneurs and small businesses, consider how various online businesses have become, in effect, distribution partners with small companies.

For example, being able to work with the largest online retailer, Amazon.com, serves as a major benefit for small businesses in terms of selling and delivering products. On February 3, 2021, Amazon.com [reported](#): “[W]e are supporting the rapid growth of more than 1.7 million small and medium-sized businesses (SMBs) around the world that are selling their products in our store. SMBs now makeup close to 60% of the sales in our store, and they have created more than 2.2 million jobs globally as a result of selling on Amazon. In fact, SMBs from all 50 states that sell with Amazon are more than twice as likely to see 25-50% hiring growth compared to those that do not, research by IDC.”

I also can speak firsthand as to how such technology has been essential for me as an entrepreneur, that is, as the author and indie publisher of thriller and mystery books.

For example, Amazon makes it easy to publish and distribute my books through its Kindle Direct Publishing service. It’s free and allows me to publish my novels as eBooks and paperbacks, and now they have just added hardcover options. The entire process is intuitive and user-friendly, including uploading the books, setting prices, and so on. And once available at Amazon.com, this author and indie publisher effectively has the same online “shelf space” as the genre’s most successful writers. And not only does Amazon handle the sales and delivery of my books ordered on Amazon.com, but I am also able to keep a minimal stock of books on hand in my home office for sales of signed books through my own website. There also are innovative ways for my readers to get other readers interested, such as the ability to easily send the Kindle editions of my books to others as gifts via the “Buy for Others” button on the Kindle page at Amazon for each book.

But as many failed small businesses can testify, it’s not enough to set up shop and wait for customers. One has to get the word out, that is, marketing, including advertising, is critical. In terms of my sales, the difference has been Facebook, and the ability to target or personalize advertising in a very affordable way.

Before I started using Facebook’s advertising tools, my sales were encouraging, but not exactly rocking and rolling. But once I started spending my minimal advertising dollars each month on Facebook’s targeted ads, I saw a clear jump in sales. Being able to target people with interests that lined up with my books made a huge difference. And along with advertising, the Facebook page for my books, along with my personal Facebook page, serve as excellent means for staying in communication and engaged with current and potential book buyers.

In the case of technology expanding opportunity, I am one of millions of entrepreneurs and small businesses reaping the rewards.

A second major area of expanding opportunities for entrepreneurs is the international marketplace. Technology advancements coupled with economic growth abroad have opened

doors in the international arena for entrepreneurs. Keep in mind that 95 percent of the world's consumers are outside the U.S.

Consider the role that small business already plays when it comes to international trade. Many assume that international markets are the near-exclusive domain of large businesses, but that is not the case.

Based on data from the latest [report](#) from the U.S. Census Bureau, we see the following about the roles small and mid-size businesses played in international trade – overall and with the top three U.S. trading partners (Canada, Mexico and China) – in 2019.

Exporting

- Among all identified U.S. exporting firms, 76.3 percent had fewer than 20 employees, 86.3 percent fewer than 50 employees, 91.4 percent fewer than 100 employees, and 97.4 percent fewer than 500 employees.
- Among all identified U.S. exporting manufacturing firms, 56.5 percent had fewer than 20 employees, 74.1 percent fewer than 50 employees, 84.3 percent fewer than 100 employees, and 96.1 percent fewer than 500 employees.
- Among all identified U.S. firms exporting to Canada, 61.7 percent had fewer than 20 employees, 76.1 percent fewer than 50 employees, 84.1 percent fewer than 100 employees, and 94.5 percent fewer than 500 employees.
- Among all identified U.S. firms exporting to Mexico, 57.9 percent had fewer than 20 employees, 71.7 percent fewer than 50 employees, 80.3 percent fewer than 100 employees, and 92.9 percent fewer than 500 employees.
- Among all identified U.S. firms exporting to China, 53.0 percent had fewer than 20 employees, 67.6 percent fewer than 50 employees, 77.2 percent fewer than 100 employees, and 91.3 percent fewer than 500 employees.

Importing

- Among all identified U.S. importing firms, 76.7 percent had fewer than 20 employees, 86.4 percent fewer than 50 employees, 91.3 percent fewer than 100 employees, and 97.3 percent fewer than 500 employees.
- Among all identified U.S. importing manufacturing firms, 49.5 percent had fewer than 20 employees, 66.1 percent fewer than 50 employees, 77.5 percent fewer than 100 employees, and 93.7 percent fewer than 500 employees.
- Among all identified U.S. firms importing from Canada, 43.6 percent had fewer than 20 employees, 55.5 percent fewer than 50 employees, 64.9 percent fewer than 100 employees, and 83.0 percent fewer than 500 employees.

- Among all identified U.S. firms importing from Mexico, 58.6 percent had fewer than 20 employees, 68.2 percent fewer than 50 employees, 74.4 percent fewer than 100 employees, and 86.4 percent fewer than 500 employees.
- Among all identified U.S. firms importing from China, 74.6 percent had fewer than 20 employees, 84.8 percent fewer than 50 employees, 90.0 percent fewer than 100 employees, and 96.6 percent fewer than 500 employees.

The myth that imports are economic negatives must be laid to rest. Not only do imports offer more choices, improved quality and better prices for consumers thanks to added competition, for example, but keep in mind that nearly all imports are inputs to American businesses, from manufacturers to retailers. For good measure, most of those manufacturers and retailers are smaller companies.

As it becomes easier thanks to advancements and innovations in so many different areas, such as advancements in computer and online technologies, production, logistics and so on, the international marketplace promises to offer more and more opportunities for U.S. entrepreneurs, small businesses and their employees.

Pro-Entrepreneur Policy Framework

So, given these realities for our economy, entrepreneurship, challenges, and opportunities, what are the policies that make the most sense? Without getting into exact numbers and too much detail, let's hit on the key aspects of a pro-entrepreneur policy framework.

Avoid tax increases and provide tax relief.

Talk of tax increases seems to everywhere of late. So, why not raise taxes? Well, let's consider the fundamental problems with tax increases for the economy.

First, taxes drain resources from the private sector so they can be used in government. The problem here is that when resources are taken and used by government, it means they are being spent according to political incentives – such as being subject to special interest lobbying, being doled out according to the preferences of politicians, often being spent in ways that undermine work and risk taking in the economy, and being utilized to enhance power, staff and budgets in government. This, of course, means resources are being used far less efficiently than in the private sector – which in contrast is disciplined by prices, profits, losses, competition and consumer sovereignty.

Second, taxes affect incentives. Most troubling are taxes that affect incentives for the undertakings that drive economic growth, as has been emphasized here, entrepreneurship and investment, as well as working and saving. So, taxes that raise the costs and reduce the returns on such activities tend to be the most economically destructive taxes, and these include income taxes and capital gains taxes.

So, higher taxes always come with economic negatives. But raising taxes as entrepreneurs, businesses, investors and workers struggle to leave the pandemic economy behind, and get us back on a track of robust growth, is particularly misguided.

The policy focus needs to move away from counter-productive efforts to raise taxes, and instead look to providing substantive, permanent tax relief, in particular, reducing taxes that directly impact entrepreneurship and investment, namely, income, capital gains and death taxes. Again, it must be kept in mind that increased taxes on investors wind up being negatives for the entrepreneurs who need investment.

Emphasize regulatory relief, not imposing additional regulatory burdens.

While individuals, in many ways, pay the ultimate price for excessive regulation through reduced choices and higher costs as consumers, reduced incomes as earners, and fewer opportunities as workers, those costs tend to be hidden. That is, while a person can see the burden of taxes when they look at their pay stubs and see how much is drained away via income taxes; when they buy a product and pay a sales tax; or when they receive their property tax bill or note the property taxes portion of their mortgage payment, there are no obvious ways to see how regulations burden each and every one of us.

Meanwhile, large businesses most certainly see and have to directly deal with regulatory burdens. However, large firms, up to a certain point, are better able to deal with the costs of regulations, including by having staff deal with such matters, such as the legal department, or tapping legal/regulatory experts on retainer. For good measure, there are instances where large businesses actually become advocates for – or at least not opponents to – increased regulation, given that such regulations will deter new business formations in the industry and the costs will fall more heavily on small businesses. In this sense, regulations can serve as a means for protecting long-entrenched businesses, while deterring upstart competitors.

It is, in fact, small businesses that pay the heaviest price when it comes to dealing with regulatory costs. As summed up in an SBE Council report ([“Regulation: Costs, Incentives and the Need for Reform”](#)): “Assorted studies make clear the significant costs imposed by the U.S. regulatory system in terms of lost GDP, costs imposed on small businesses, declining entrepreneurship, reduced job creation, and reduced or restrained investment and productivity. Studies over the past 25 years have consistently found that the cost of regulatory compliance disproportionately affects small firms.”

It also must be noted that small business owners, perhaps better than anyone else, understand the cumulative burdens of regulation. It’s not just about the current regulation under consideration, but it’s also about all of the previous regulations imposed and then adding new burdens. Hence, any discussion of imposing a new regulation on entrepreneurs and businesses must be put in proper context, that is, recognizing the burdens that already exist.

Indeed, as is the case with higher taxes, increased regulations always come with increased costs, but inflicting such added burdens during a period when the economy is working to emerge from the pandemic woes, again, is misguided and counter-productive.

Rather than emphasizing all kinds of ways to increase regulatory intrusions, entrepreneurship and investment would be aided by serious efforts at regulatory reform, such as sunset rules and regulations so that Congress is required to re-evaluate regulations after a certain period of time; and requiring congressional approval of rules and regulations to establish full responsibility for regulating to Congress.

Advance free trade.

Free trade simply means reducing government-imposed barriers and obstacles to trading across international borders. These barriers include, for example, tariffs, or taxes on imports, and quotas, or limits on certain imports. In summary, free trade reduces costs through enhanced competition and lower trade barriers; expands choices and lowers prices for consumers; keeps U.S. firms competitive; opens new markets and opportunities for U.S. goods and services; reduces costs for U.S. businesses; expands economic freedom; and feeds economic growth.

Indeed, contrary to assertions from various political corners, trade is a positive for U.S. businesses, workers and our economy. And keep in mind that total trade (exports plus imports) accounted for 30 percent of GDP in 2014 and 27.5 percent in 2018, before falling to 26.4 percent in 2019 and 23.5 percent during the 2020 pandemic year.

A vital, dynamic, growing economy is one that is open to trade, providing benefits to consumers, entrepreneurs, businesses of all sizes, and workers. We've known this since Adam Smith wrote his seminal *Wealth of Nations* in the late 18th century. On the policy front, the U.S. needs to move away from protectionist measures and aggressively move to advance free trade on all fronts. Indeed, the U.S. needs to reclaim the global leadership role it had in advancing free trade since the end of World War II, but recently abandoned.

Immigration Matters to the Economy ... in a Good Way.

A constructive pro-immigration policy agenda – that is, improving and expanding avenues of immigration for those who wish to contribute by working and starting businesses while also enhancing security to keep out terrorists, et al – would make a difference in the long run in terms of meeting labor needs and advancing entrepreneurship.

Contrary to political claims, immigration is an economic plus. How so?

First, immigration allows market demands for both low-skilled and high-skilled labor to be met. That demand comes from businesses that ultimately serve consumers. As labor markets grow tighter, for example, expanded immigration is needed.

Second, other workers, including the native born, benefit as immigrants do complementary work, thereby enhancing the productivity of all workers. By the way, immigrants have higher labor force participation and employment rates than the general population.

Third, given that immigrants are obvious risk takers (leaving for another country is serious risk taking), it's not surprising that immigrants have a higher rate of entrepreneurship than do the native born. If we want more entrepreneurship – and we do – then immigration is a great source.

Fourth, it also follows that more immigrants in the workforce mean more consumers.

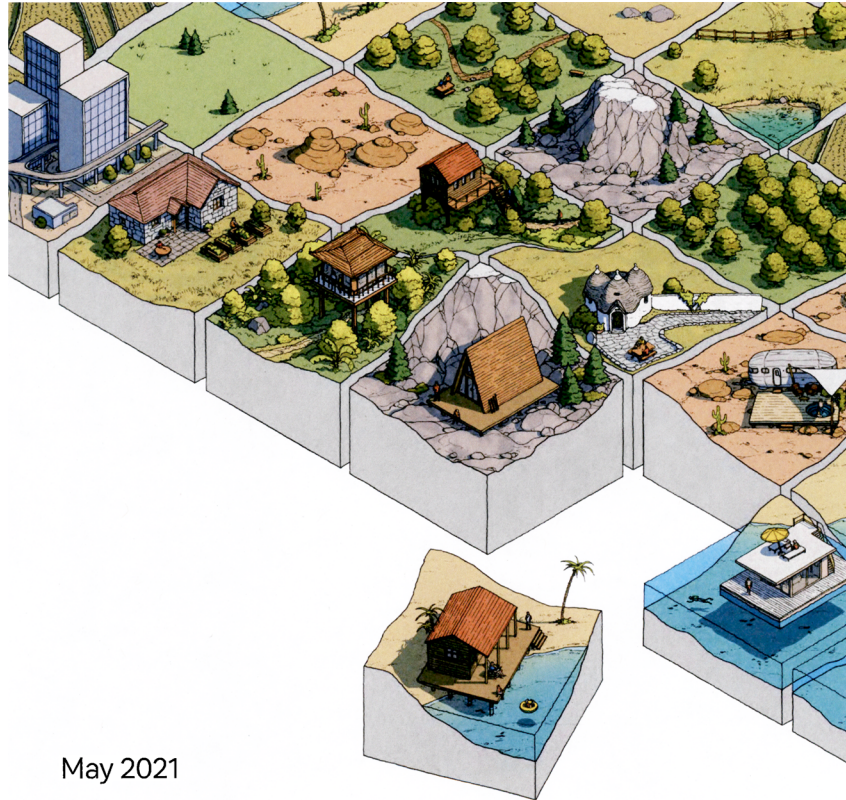
Richard Vedder, a distinguished professor of economics emeritus at Ohio University and leading thinker on issues relating to economic growth, summed up the economic role of immigration this way: “It turns out that periods of dynamic economic growth and change have roughly coincided with surges in immigration. In part, of course, immigration responds to improved economic conditions. But the evidence strongly suggests that the reverse is also true: Growing immigration has added to the nation's economic vitality and entrepreneurial spirit and has propelled the nation toward higher rates of economic growth.” Vedder also made the critical point that when assessing the impact of immigration, one cannot stop at the immigrants themselves: “The children of immigrants are the most productive generation of all, typically with income and wealth exceeding that of the general population.”

Focusing on the economics, as opposed to the political rhetoric, it's clear that immigration is another example of American opportunity that benefits the entire nation.

Thank you again for your invitation to be a part of this important hearing today.

About Raymond J. Keating

Raymond J. Keating serves as chief economist for the Small Business & Entrepreneurship Council. Keating is the author of several nonfiction books, including *Free Trade Rocks! 10 Points on International Trade Everyone Should Know* and *Unleashing Small Business Through IP: The Role of Intellectual Property in Driving Entrepreneurship, Innovation and Investment*. Keating also is a novelist and indie publisher, having written fifteen Pastor Stephen Grant thrillers and mysteries. He also is a podcaster, hosting, for example, the *Free Enterprise in Three Minutes Podcast*. Keating was a regular columnist with RealClearMarkets.com, and for more than two decades was a weekly newspaper columnist with *Long Island Business News*, *Newsday*, and the *New York City Tribune*. For a decade, Keating also was an adjunct professor in the MBA program at the Townsend School of Business at Dowling College. His work has appeared in a wide range of additional periodicals, including *The New York Times*, *The Wall Street Journal*, *The Washington Post*, *New York Post*, *Los Angeles Daily News*, *The Boston Globe*, *National Review*, *The Washington Times*, *Investor's Business Daily*, *New York Daily News*, *Detroit Free Press*, *Chicago Tribune*, *Providence Journal Bulletin*, and *Cincinnati Enquirer*.



May 2021

Airbnb Report on Travel & Living



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Introduction: Travel and living are blurring

We're on the threshold of a new era in travel.

Before the COVID-19 pandemic, travel and tourism represented more than 10% of the global economy¹, powered by 56x growth in international travel from 1950 to 2019². But as travel boomed, so much of it became the same—all the same places at all the same times. Then in 2020, it came to a halt. International arrivals sank to their lowest level in more than 30 years³.

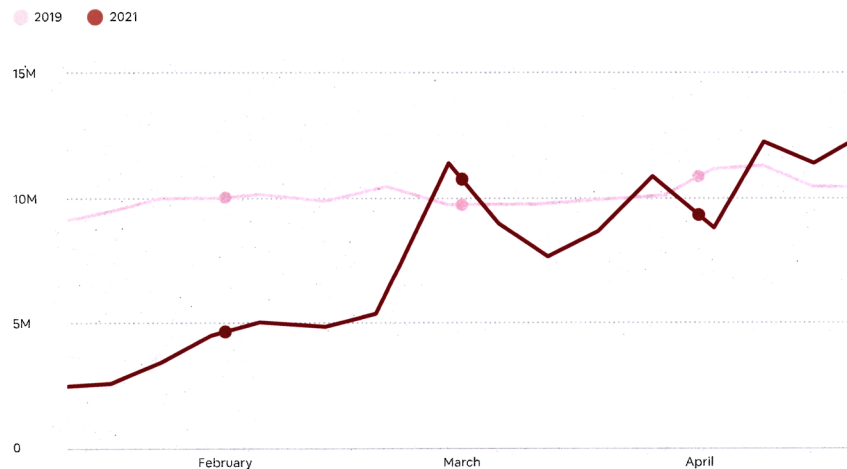
As pandemic restrictions gradually lift and travel restarts, it's looking different. We are shifting from traveling at all the same times to all the same old places, to many of us living anywhere, at any time, for however long. This is not a temporary reaction to these many months of restrictions and isolation—it's a step toward a world in which living and traveling are one and the same.

Today and for the near future, travel for pleasure is the out-of-home activity people have missed the most, and travel is the top activity people say they will do first once they feel safe. Where people can travel again, on Airbnb, we see clear pent-up demand.

Domestic searches on Airbnb following key announcements

Great Britain

Prime Minister Johnson announced a lockdown exit plan on Feb. 22, then followed up with more announcements of further details.



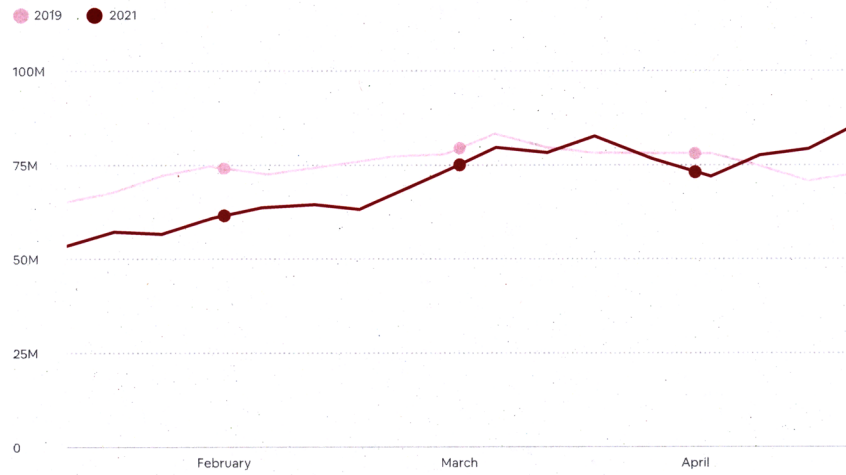
¹ World Travel & Tourism Council—April, 2020

² OurWorldinData.org

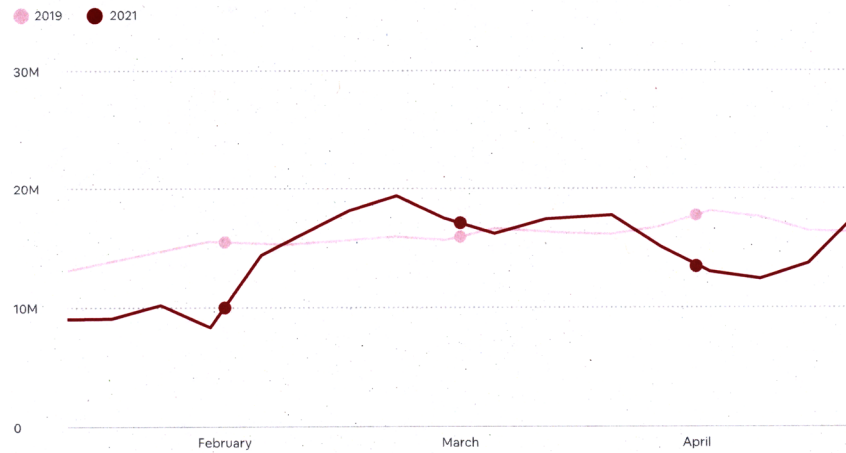
³ UNWTO

US

On March 11, President Biden announced his goal of making all US adults eligible for vaccination by May 1 in order for families to be able to come together to celebrate July 4.

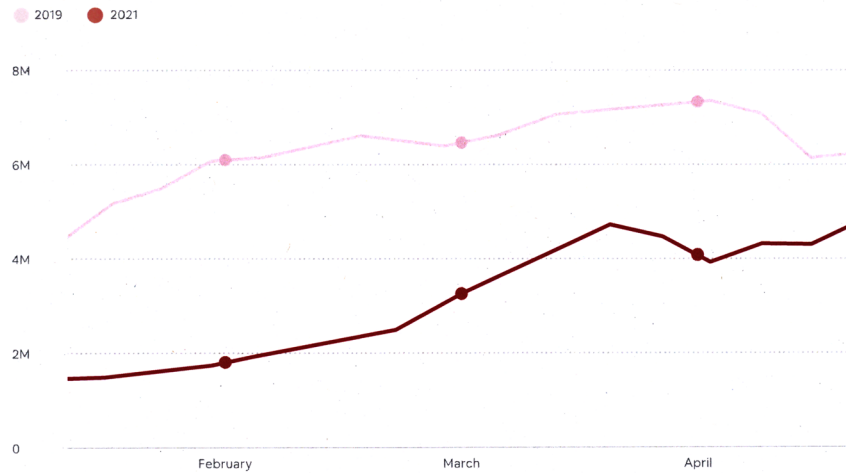
**France**

France's government announced on Feb. 4 that there would not be a new national lockdown and citizens were free to travel. On April 29, President Macron announced further guidance on the lifting of restrictions.



Spain

On April 28, Prime Minister Sánchez announced a phased plan to exit the country's lockdown by the end of June.



But for many, travel has become newly prioritized right when work is changing to allow for more of it. Companies and governments are experimenting with flexible hours and four-day workweeks as well as remote working⁴. For those fortunate enough to be able to work remotely, working from anywhere has become a viable lifestyle. Across five countries and three US states surveyed by Airbnb, nearly as many consumers today see traveling as more of a lifestyle as consumers who see travel as a series of one-off trips

*I see traveling more as a lifestyle where I can spend more time in different places throughout the year,
OR I see traveling as specific trips I might take, like a work trip.*

	5-country	AUS	FRA	MEX	UK	US	CA	FL	NY
Lifestyle	39%	41%	38%	40%	37%	39%	45%	40%	36%
Specific trips	43%	44%	39%	45%	46%	42%	35%	43%	43%

⁴ Axios—May 8, 2021

Our research shows an overwhelming desire for more flexibility in travel—in when, where, and for how long. And after more than a year of disrupted trips and more accommodating cancellation policies, there is also a practical desire to keep this new flexibility in trip planning. Of all searchers on Airbnb in the month of April, more than 40% were flexible in dates, locations or both. Our new tools have made it easier for guests to be flexible, particularly around timing: About 200 million searches with flexible dates happened using our Flexible and Expanded Dates tools in the first four months of 2021. Our survey suggests that flexibility has joined affordability and safety in a trio of basic traveler needs, ranking as consumers' #3 consideration in planning a trip.

What are your most important considerations when you are planning a trip?

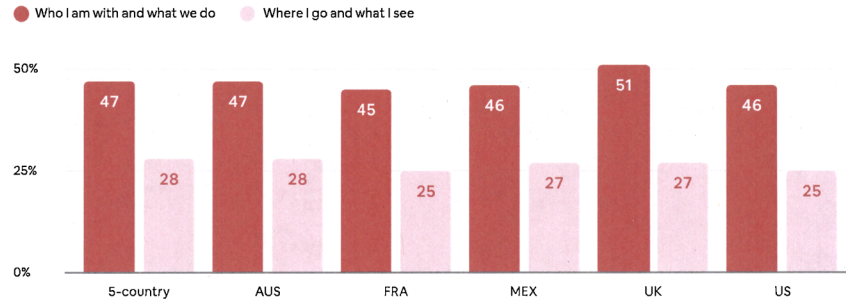
	5-country	AUS	FRA	MEX	UK	US
Reasonable price	#1	#1	#1	#2	#1	#1
Safety	#2	#2	#2	#1	#2	#2
Flexibility of when, how and where you go	#3	#3	#3	#3	#3	#3

Flexibility has become vital to travel's health and growth. People having more time to travel will make a difference for growth, after being hemmed in by the workweek and school year for so many years. Across our five surveyed countries, consumers' #1 response to how their travel would change if they had more flexibility in how they work, live and travel is, they would take more trips. Their #2 response is that they would travel for longer.

People traveling to more places is a difference-maker for the travel industry's health—making the industry more inclusive by lessening the burden on popular destinations and more broadly distributing the economic benefits of tourism. On Airbnb's own platform in 2019, every 1,000 guest arrivals across a set of 30 destinations supported nine local jobs. The COVID-19 pandemic and related safety concerns scattered travelers far and wide, speeding up a shift toward rural travel. People really are going everywhere: nearby, to smaller cities and small towns, and to more out-of-the-way areas.

And they're staying longer—living there, not just visiting. The percentage of long-term stays (at least 28 nights) on Airbnb almost doubled from 14% of nights booked in 2019 to 24% of nights booked in Q1 2021. People are traveling and creating homes for themselves and their families—immediate family, extended family, and chosen family like friends, pods and pets. Among pet-owning long-term stay bookers of Airbnbs this year, most dog owners have brought their dogs and most cat-owners have brought their cats. Nearly half of consumers we surveyed (47%) say that who they're with and what they do together is more important when planning travel this year, while just over one quarter (27%) feel the opposite—that where they go and what they see is more important.

Which one is more important to you when planning travel this year?



Many of the shifts we're seeing in travel come from families embracing homes. Family travel on Airbnb for the summer is at an all-time high, with the majority of our summer bookings being at listings large enough for five or more guests. Families are leading the redistribution of travel from all the same places to everywhere by seeking out more out-of-the-way places. And they are using homes for longer stays to live anywhere, together.

Homes are the travel of our time. Homes meet people's new needs by being safe, everywhere, and designed for living and gathering with others in the kitchen or living room. About 95% of travel on Airbnb for this summer is booked at entire homes, compared to about 80% in summer 2019. During the pandemic, guests have booked Airbnbs in more than 94,000 destinations. More than 220 countries and regions and 60,000 cities have had at least one newly booked entire-home listing. Searches for unique homes on Airbnb have exploded compared to 2019.

The home, not the location, has become the destination. Two years ago, home sharing was seen as alternative accommodation. Today, it is a bellwether for all of travel. Airbnb's 4 million Hosts have welcomed more than 900 million guest arrivals.

We recognize that we're in a state of tremendous flux and transition. The COVID-19 pandemic continues to afflict much of the world. There is no "back to normal" and no single, shared future—especially not as parts of the world ease lockdowns, vaccinate and recover at different speeds. A few countries may see travel roaring back, but most are either proceeding with caution or still struggling to contain the virus.

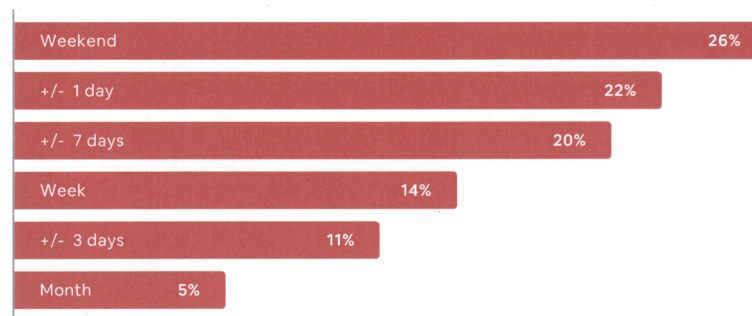
But as the world gradually reopens, increasing numbers are enjoying new flexibility to work from anywhere. The volume of Airbnb guest reviews mentioning remote work has increased by 520% globally year over year. In the US alone, roughly one quarter of the workforce may be working remotely by 2025⁵, and many more people aspire to do so. Post pandemic, 74% of consumers across our five-country survey are interested in living somewhere other than where their employer is based. Innovation always starts with early adopters. The ability to live anywhere—characterized by flexibility in travel time, openness toward location, and longer stays—is now part of the future of travel.

⁵FlexJobs, Remote Work Statistics: Navigating the New Normal—December 21, 2020

1. People can travel anytime

Before the pandemic, people weren't limited in where they could travel. But for many decades, even centuries, they have been limited by the work week and school year in when they could travel. The pandemic reversed this for many, limiting where they could go but allowing them—through remote work and learning—to go anytime. Across five surveyed countries around the world, people's #1 response to how their travel would change if they have more flexibility in how they work, live and travel is that they would travel more often.

Most popular sort criteria from ~200 million flexible-date searches on Airbnb in 2021



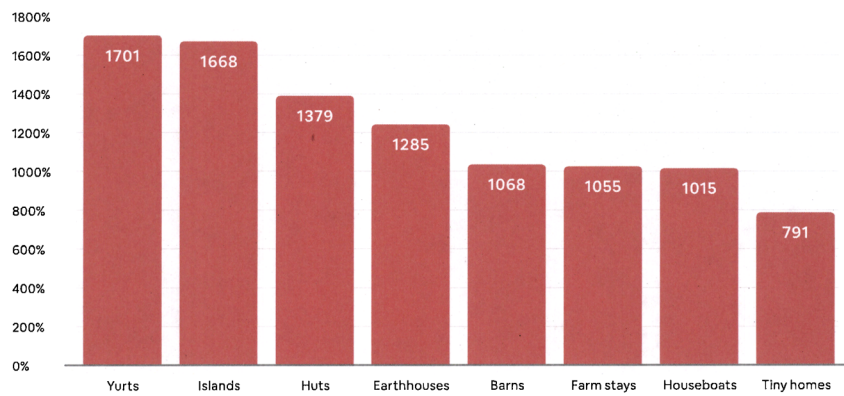
Specific dates are mattering less to people

- 75% of consumers surveyed want to be able to search for accommodations within a range of dates.
- 64% are interested in traveling during off-peak times of the week or year.
- About 13% say they already have done so, including 17% of Californians and 16% of Australians.
- On Airbnb's own platform, about 200 million searches with flexible dates happened using our Flexible Date and Expanded Dates tools in the first four months of 2021.
- About 100 million of those searches used our Flexible Dates tool just launched in February.
- Searchers who used the tool have converted at a higher rate and accounted for longer stays than searchers who did not use the tool.
- 77% of consumers surveyed want the ability to cancel or change bookings at the last minute.
- About two thirds of Airbnb listings have flexible or moderate cancellation policies.

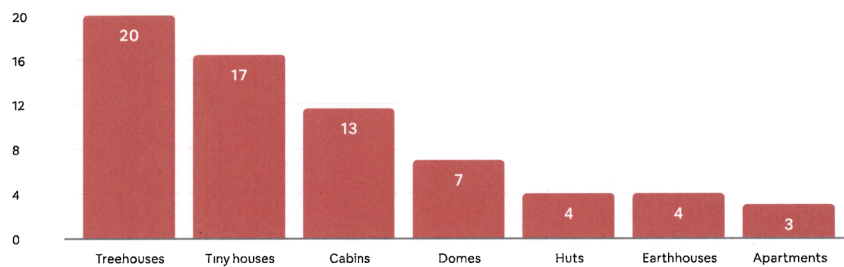
Unique stays are mattering more

- 7 in 10 consumers surveyed across five countries want the ability to search for accommodations without setting any travel dates at all.
- 7 in 10 (69%) want to be able to filter for unique stays.
- In 2021, the number of searches for unique homes on Airbnb has grown 94% compared to the same period in 2019.
- The number of unique listings on Airbnb, over 170,000, has grown 31% in two years.

Searches for certain types of unique homes on Airbnb have exploded since 2019



Of the 100 most wishlisted homes in the past year

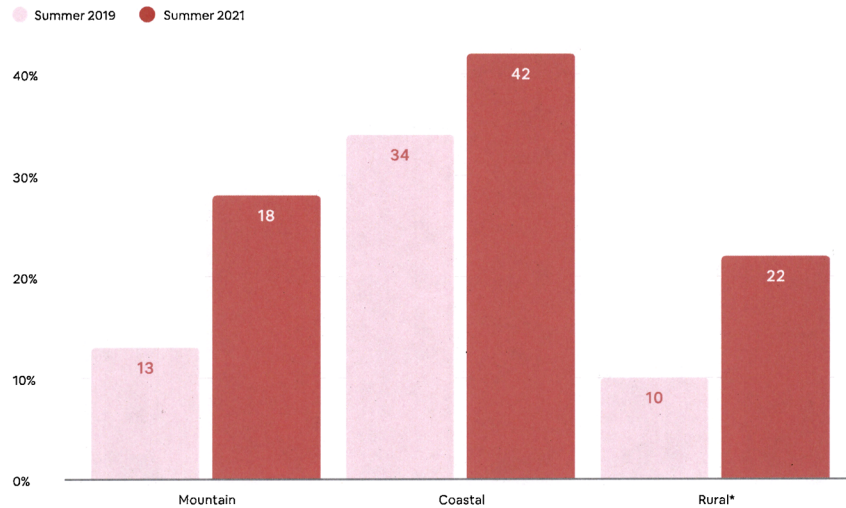


* Total does not equal 100 due to other types of listings being among the 100

2. People are traveling everywhere

The pandemic has sped up a trend of people thinking more flexibly and further afield about where to travel, shifting away from mass tourism focused on an iconic set of cities and other popular destinations. On Airbnb, 27% of all searchers in April were flexible on location without use of any tools. At the same time, travel has spread more diffusely over the past several years as it has become less about the same places and more about people and connection, to the benefit of more communities and those who live there.

Share of travel to natural settings

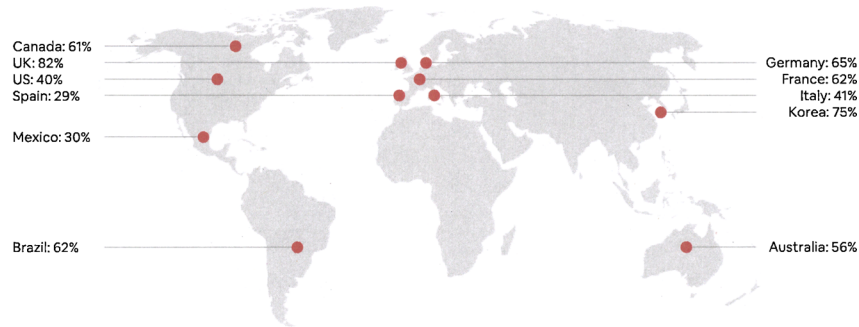


* Rural listings compare 2015 to 2021

First, people had to set their sights closer to home

- In January 2020, before the pandemic was declared and most travel restrictions were enacted, roughly 50% of nights booked on Airbnb were domestic travel. In 2021, with most restrictions still in place, roughly 80% of our nights booked have been domestic travel.
- In January 2020, roughly 30% of nights booked were within 300 miles. In 2021, more than 45% of nights booked have been within 300 miles.
- According to our five-country survey, one year after the pandemic began, nearby getaways remain the second most popular type of trip people are interested in taking, after trips to the beach.

Nearby travel (within 300 miles), share of 2021 nights booked



Then, the pandemic sped up a shift away from big cities

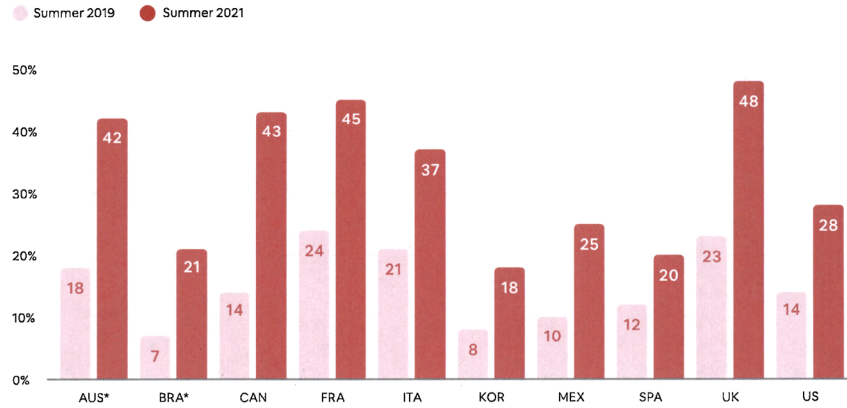
- Historically, the most common type of summer travel on Airbnb has been one or two guests visiting a big city. But for summer 2021, the most common travel booked on Airbnb is a family leaving a big city to visit a smaller destination.
- Our top 10 cities from summer 2019 accounted for about 10% of nights then, but the same cities account for less than half that percentage of nights booked for summer 2021.
- Rural travel actually has grown on Airbnb every year for the past five years. In 2015, it accounted for less than 10% of nights booked. In 2021 so far, it accounts for 22% of nights booked.

Top destinations on Airbnb, summer 2019 vs. summer 2021

In summer 2019, all top destinations on Airbnb were major cities. For summer 2021, our top destinations by bookings have moved beyond cities to coastal and other more rural areas.

	2019		2021
France	Paris	→	Var
Germany	Berlin	→	Baltic Sea Coast
Italy	Rome	→	Sardinia
Korea	Seoul	→	Jeju

Rural nights gaining share



* Dates are June 1 through August 31 (which is not summertime in Australia or Brazil)

Top-trending US state destinations on Airbnb are those with the least hotel rooms⁶

State	# in hotel rooms in the country
Alaska	47th
Delaware	49th
Idaho	45th
Maine	40th
Montana	39th
New Hampshire	46th
Rhode Island	50th
South Dakota	43rd
West Virginia	41st
Wyoming	42nd

⁶ American Hotel & Lodging Association dashboard

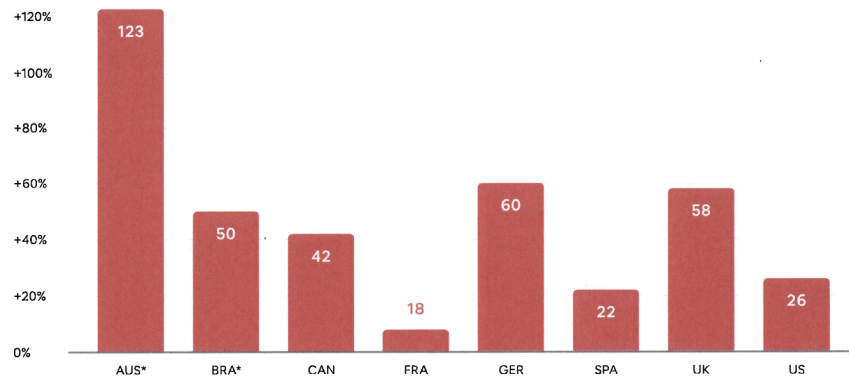
More travelers discovered the Great Outdoors

Top-trending summer 2021 destinations are access points to natural features

- Acadia National Park
- Bancroft-Madawaska (near Algonquin Provincial Park)
- Black Hills, South Dakota (near Black Hills National Forest and Mount Rushmore)
- Florida Panhandle
- Hilton Head Island
- Miramar Beach
- Michigan Upper Peninsula (Great Lakes, Hiawatha National Forest)
- Northern Wisconsin (near Lake Superior and Chequamegon Nicolet National Forest)
- Panama City Beach
- Park County, Montana
- South County, Rhode Island
- West Yellowstone (near Yellowstone)
- Whitefish Mountain (near Glacier National Park)

Close proximity to national parks

A greater share of Airbnb guests are staying within 30 miles of national parks, summer 2019 vs. summer 2021.



* Dates are June 1 through August 31 (which is not summertime in Australia or Brazil).
For Australia, distance is within 50 miles given the remoteness of its national parks

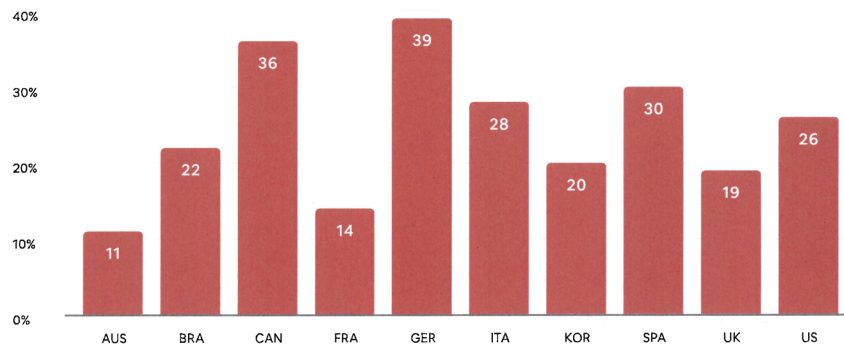
3. Longer stays are turning travel into living

People have more flexibility to travel anytime, and they're traveling everywhere, but the key to travel becoming more of a lifestyle is the ability to linger. Across five surveyed countries, after the top response of taking more trips, people's #2 response to how their travel would change if they have more flexibility is that they would travel for longer. On our platform and in our research, we see trips lengthening overall and longer stays of at least 28 days making up a growing share of all nights. Longer stays are really what allow people to live on Airbnb.

People are staying longer

- In general, Airbnb guests have been staying longer: Average nights per booking have lengthened from 3.5 in 2019 to more than four nights per booking in April 2021.
- The percentage of long-term stays (at least 28 nights) on Airbnb almost doubled from 14% of nights booked in 2019 to 24% of nights booked in Q1 2021. Across a sample set of countries, long-term stays accounted for significant percentages of nights booked in Q1.

Long-term stays have accounted for significant percentages of nights booked in 2021



- 71% of Airbnb long-term stay bookers surveyed in 2021 plan to book at least one more in the coming year.
- These stays are most popular with older adults aged 60-90, with 28% of their nights booked for stays >28 nights, for the 12 months ending April 30, 2021.
- But 18- to 24-year-olds claim the second largest share: ~25%, for the 12 months ending April 30, 2021.
- 55% of Airbnb long-term stay bookers who stayed and were surveyed in 2021 report they were working or studying during their stay.

- 42% of consumers surveyed across five countries say they will undertake more longer-stay travel after the pandemic.
- Long-term stays are currently offered at 87% of available listings on Airbnb.

They're using longer stays to be with family

- 12% of consumers surveyed have moved closer to family or vice versa to get or give more daily support, and 50% are interested in doing this.
- At Airbnb, among long-term stay bookers who stayed and were surveyed in 2021, most have had a connection to their destination.
- 42% of them have stayed in high-familiarity destinations (such as more than three visits, or having been past residents).
- 51% said they knew at least an acquaintance in their destination.
- 37% had family or friends at their destination (25% friends, 19% family).
- 72% of dog-owning long-term stay bookers brought their dogs along for their stays in early 2021, and 55% of cat owners brought their cats.

And to live in big cities

- If you're going to New York City this summer, chances are you're staying for a month or more: 62% of summer nights booked in the city are for long-term stays. The top bookers are New Yorkers themselves.
- Along with New York, Seattle and Los Angeles—each at 40% of nights booked or higher—are the most popular destinations anywhere on Airbnb for long-term stays.
- In addition to these US cities, other major cities around the world lead their respective countries' lists of most popular destinations for long-term stays.

• Melbourne, Sydney	• Rome and Florence
• Sao Paolo, Rio de Janeiro	• Seoul
• Montreal, Vancouver, Toronto	• Mexico City
• Paris	• Barcelona
• Berlin, Munich, Hamburg	• London, Manchester, Edinburgh

People are living on Airbnb

Since June 2020, destinations around the world have seen the potential of the Live Anywhere trend of blurred travel and living and are partnering with Airbnb to help their communities benefit from this new lifestyle.

Working from anywhere

- 74% of consumers surveyed across five countries are interested in living someplace other than where their employer is based after the pandemic is over.
- In 2020, nearly one in five Airbnb Homes guests (19%) used Airbnb to travel and work remotely.
- In South Africa, we have partnered with Wesgro, the Western Cape's destination marketing organization to promote the region to South Africans looking to work remotely. Our partnership with Visit Florida includes highlighting homes that are well-suited for remote work.

Living nomadically

- 11% of Airbnb long-term stay bookers in 2021 have reported living a nomadic lifestyle, and 5% plan on giving up their primary residences in favor of staying in Airbnbs.
- Our partnership with Visit Trentino in Italy highlights the destination as an ideal spot for digital nomads. In Argentina, we have partnered with the City of Buenos Aires to promote it as a destination for "Digital Nomads BA" and "Study BA" programs once the COVID-19 situation there improves.

Escaping to the country

- 41% of consumers surveyed are interested in leaving a city to live in the country or someplace remote.
- In Mexico, our partnerships with WWF Mexico, the National Association of Magical Towns, and the Mexican Federation of Tourist Associations are meant to help jump-start domestic travel and promote safe, sustainable road travel beyond Mexico's cities. In France, we're working with the national association of rural mayors to list 15,000 homes in the French countryside by the end of 2021.

Trying before buying

- As smaller cities and more remote areas try to incentivize remote workers to move there, 44% of consumers across five countries report interest in trying out a new city before buying a home there, including 60% of Mexicans and 47% of Americans, and in the US, 50% of Californians.
- Airbnb is scaling partnerships with destination marketers to help remote workers interested in moving to these locations to try out neighborhoods before buying homes there.

4. Families, not business, now power travel

Pre-pandemic, travel was built around business. It made up just 12% of air travel but 75% of airline profits⁷. Post-pandemic, families are the most dynamic force in travel. In our 10,000-person survey across five countries, more consumers identified as “family-focused voyagers,” 42%, than any other type of traveler. They have led the way in redistributing travel—from all the same places to everywhere, and in using homes for longer stays to live anywhere. And at a time when destinations are debating how they want travel to return, locals see families as the best type of tourists. Business travelers are rated lowest.

Destinations around the world where locals rank families as the best tourists for their communities

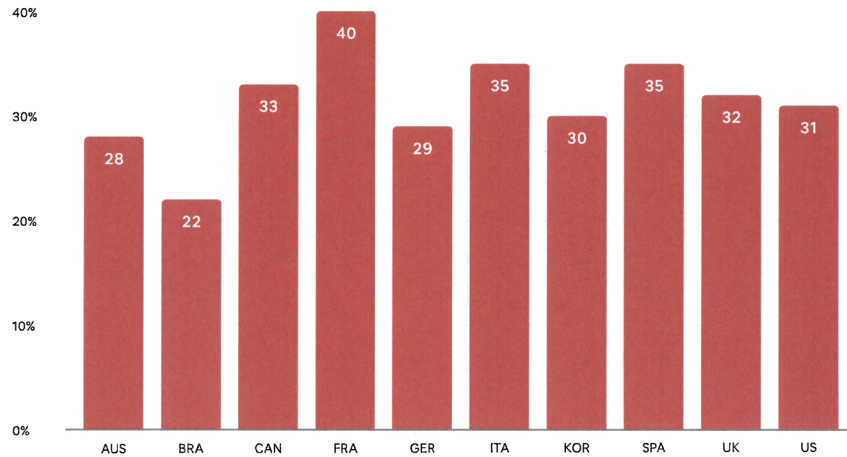
- | | | | |
|-------------|--------------------|----------------|----------|
| • Australia | • France | • Mexico | • UK |
| • Austria | • Hanoi | • Mexico City | • US |
| • Bali | • Ho Chi Minh City | • Prague | • Venice |
| • Budapest | • Italy | • Quintana Roo | • Vienna |
| • Cebu | • Jakarta | • Rome | |
| • Florence | • Manila | • Toronto | |

Families are driving travel's recovery on Airbnb

- Today, connecting with family is people's top travel priority.
- Heading into summer, family travel on Airbnb is at an all-time high, outpacing all other types of travel.
- Family travel accounts for an increasing share of overall nights, growing globally from 27% of nights booked in summer 2019 to 33% of nights booked in summer 2021.
- Two in five Airbnb Experiences guests (39%) in 2020 reported taking their Experiences to spend time with friends or family.
- Family travel to rural destinations is up from 32% of family nights in 2019 to 42% of family nights booked for summer 2021.
- Beach towns and theme parks have replaced cities as top family summertime destinations.
- Families are planning more trips within driving distance this summer on Airbnb over 2019: 33% of summer 2019 trips were within 300 miles or less, versus 47% of summer 2021 bookings.

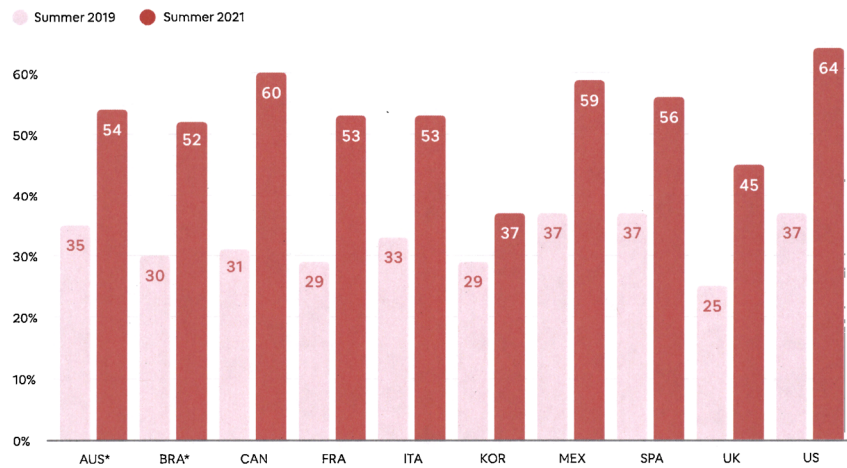
⁷Trident Development Corp

Share of family travel by country, summer 2021



Share of nights booked at listings for ≥5, summer 2019 vs. summer 2021

Globally, listings with capacity of five or more accounted for 35% of summer nights stayed in 2019 and now account for 54% of summer nights booked in 2021.



* June 1 to August 31, not summertime in Australia or Brazil

Endnote: Homes are the travel of our time

A world in which travel happens all the time, everywhere, is not only a world in which travel can be a way of life, but also a world in which the economic benefits of travel can lift more people in more places than mass tourism has done.

Homes are not just the travel of our time because of how they fill needs for guests—they are also the travel of our time because they provide an economic solution for hard-hit destinations and the people who live there.

Hosting on Airbnb has met people's financial needs at a crucial moment. According to our latest global survey of our Host community, one third of our employed Homes Hosts are either teachers, healthcare workers or hospitality workers. And because of the pandemic, one third of Homes Hosts (33%) personally suffered a pay cut or lost work hours in 2020, or lived with someone who did; 14% of them or someone in their household lost their job or got laid off. For the year ending April 30, 2021, the average annual earnings per Homes Host who has welcomed at least one guest on Airbnb was about \$9,600, nearly seven times the size of a typical US government 2021 stimulus check⁸, and nearly twice as much as the typical American has in their bank account⁹.

The travel and tourism industry also has been one of the few industries to support a decent living primarily for women. The majority of Airbnb Hosts are women, 55%¹⁰, in line with women in traditional hospitality (54%). Almost one in five women Homes Hosts live alone and one third of them have children at home. Two in five reported needing their Airbnb earnings to make ends meet in 2020. New women Hosts who have started hosting in just the past year have collectively earned more than \$1 billion through Airbnb.

Hosted travel also provides a significant boost to local employment. A recent Oxford Economics study of Airbnb's economic benefits in 30 communities where we operate found that in 2019, Airbnb supported over 300,000 jobs in those communities, including more than 100,000 restaurant jobs, nearly 95,000 jobs in retail, nearly 50,000 in transportation, and more than 40,000 in entertainment. On average across the 30 communities in 2019, every 1,000 visiting Airbnb guests supported nine jobs.

And, Airbnb has worked with communities where we operate to help them collect tax revenue on Airbnb activity. Since our first such arrangements in 2014, Airbnb has delivered more than \$3.4 billion in tourism-related taxes to local governments on behalf of our global Host community. Today, we collect and remit taxes in approximately 30,000 jurisdictions around the world, covering thousands of cities, and the number continues to grow.

Travel is evolving from an activity that exists apart from day-to-day-life to an actual way of life. This shift may be starting with consumers who are privileged to be able to work remotely, but the rising popularity of homes means that through homes and hosting, post-pandemic travel is already off to a more distributed, more inclusive start.

Travel is on track to not only recover and then grow as more people get more flexibility to pursue it as a way of life, but to recover and grow in a healthier way as it takes place in more communities and benefits more people.

⁸ CNBC.com—May 12, 2020

⁹ Federal Reserve—Q2, 2020

¹⁰ Among Hosts who self-reported a gender identity

About this report

Insights in this report are based on four types of data:

1. Activity on the Airbnb platform, including guest search and booking activity. For both 2019 and 2021, “summer” activity on the Airbnb platform is defined as June 1 through August 31. Unless otherwise specified, 2021 data “to date” is as of April 30, 2021. For all discussion of future nights booked, such nights are defined as gross nights booked before cancellations or alterations. “Family travel” on Airbnb is defined as any reservation that includes an infant or a child, so the actual extent of family travel described in this report may be underestimated.
2. Surveys by Airbnb of Hosts and guests who recently used the platform, including:
 - Global surveys conducted from February 1, 2021 through March 3, 2021 of 42,000 Airbnb Homes Hosts and 42,000 Airbnb Homes guests who used the platform in 2020, with a maximum margin of error of 1.2 percentage points (depending on the question).
 - An April 8-12, 2021 survey of 558 Airbnb long-term stay bookers who booked their stays in Q1 2021, with a maximum margin of error of 4.15 percentage points.
3. A survey of 10,000 respondents aged 18+ conducted from March 18-25, 2021 across Australia (margin of error: 2.53 percentage points), France (2.19), Mexico (2.53), the UK (2.19) and the US (2.19), with oversamples in the US for the states of California, Florida, and New York. The survey by ClearPath Strategies is nationally representative for each geography covered and was weighted by age, gender, race, and education for each country and the US state oversamples.
4. A 2021 Oxford Economics analysis of the economic impact of the Airbnb community in 30 select destinations around the world in 2019, visible at https://news.airbnb.com/wp-content/uploads/sites/4/2021/05/Airbnb_2019_Economic_Impact_Report.pdf

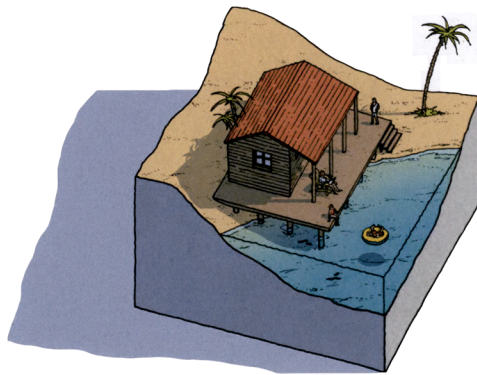
As always, Airbnb has applied strong policies and practices to protect the human right to privacy, both online and offline, in sourcing and presenting the data used in this report.

Forward-looking statements

This travel report contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this travel report, including, but not limited to, statements regarding the effects of the COVID-19 pandemic on us, travel trends, and the travel industry; the future of travel; the behavior of Hosts and guests; and our future performance, prospects, plans and objectives are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “plan,” “could,” “potential,” “objective,” or “continues” or the negative of these words or other similar terms or expressions that concern our expectations. Although we believe that we have a reasonable basis for each forward-looking statement contained in this travel report, we cannot guarantee that the future results, levels of activity, or events and circumstances reflected in the forward-looking statements will be achieved or occur at all.

Forward-looking statements are subject to a number of known and unknown risks, uncertainties, assumptions, and other factors that may cause actual results to differ materially from the results expressed or implied in this travel report. Therefore, you should not rely upon forward-looking statements as predictions of future events. Important factors that could cause actual results to differ materially from those indicated in the forward-looking statements include, but are not limited to, the effects and duration of the COVID-19 pandemic on us, the travel industry, travel trends, and the global economy generally; any further and continued decline or disruption in the travel and hospitality industries or economic downturn; changes in political, business, and economic conditions; and the other risks listed or described from time to time in Airbnb’s filings with the Securities and Exchange Commission (the “SEC”), including Airbnb’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020, Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 and subsequent Form 10-Qs and Form 8-Ks, which will be on file with the SEC and available on the investor relations page of Airbnb’s website.

All forward-looking statements speak only as of the date of this travel report and are based on information and estimates available to us as of the date of this travel report. We expressly disclaim any obligation to update or revise any information contained in this travel report, except as required by law.



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In the midst of COVID-19, women find a \$70 billion reason to host on Airbnb

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By [Airbnb](#) · October 12, 2021 · [Community](#), [Stays](#)



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News

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By Airbnb · October 12, 2021 · Community Stays



<https://news.airbnb.com/in-the-midst-of-covid-19-women-find-a-70-billion-reason-to-host-on-airbnb/>

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Since 2008, women have found significant success by hosting on Airbnb. By opening up their homes and sharing their passions, they have collectively earned an all-time figure of \$70 billion¹ – with new female Hosts earning more than \$1 billion through Airbnb in just one year following the start of the pandemic.

With women Hosts representing over half (55 percent) of the global Host community², and an even higher proportion of Hosts in countries including the US (58%), France (59%) and the UK (60%)³, women are true pioneers who have embraced the economic opportunity of hosting. By mastering the art of hospitality, they create meaningful connections and foster transformative experiences for people all around the world – a feat that clearly resonates with guests. In 2021 women Hosts have received a higher share of 5-star reviews (91%) than their male counterparts (89%)⁴.

In a world where women have been disproportionately impacted by the pandemic, the economic benefits of hosting are proving more important than ever. According to a recent survey of our global community⁵, over 40 percent of female Hosts say they host on Airbnb to earn money to make ends meet, 44 percent of female Hosts say that the money they earn from hosting has helped them stay in their home, and nearly 30 percent of female Hosts say the money they earn from hosting has helped them or a member of their household avoid working extra hours or a second job. In all three instances, these are higher percentages than for male Hosts.

With the livelihoods of so many being impacted in recent times, thousands are turning to Airbnb to help them navigate a new world created by the pandemic. According to that same survey, one third of female Hosts say they lost pay or had reduced hours in 2020 because of the pandemic, or live with someone who did. Another 14 percent were laid off or lost their job because of the pandemic, or live with someone who was laid off or lost their job because of it.

Hosting on Airbnb offers a flexible and accessible form of income, creating an attractive opportunity for women in communities all over the world in these uncertain times and beyond. But who are Airbnb's women Hosts?

- One-third (33%) live with their children
- 13% of employed women Hosts are teachers
- 14% are healthcare or social workers
- 10% are in hospitality or food service
- 32% are small/independent business owners, or live with one

Women have always been and continue to be a driving force of the Airbnb community, embracing hosting as a powerful outlet for their entrepreneurial spirit to thrive.

2/2/22, 12:15 PM

In the midst of COVID-19, women find a \$70 billion reason to host on Airbnb

- 1 According to a survey of global Airbnb Homes Hosts who hosted a trip during 2020, from February 1, 2021 to March 3, 2021.
- 2 As of September 30, 2020, of Hosts who had self-identified their gender.
- 3 Of Hosts who have self-identified their gender, and based on Airbnb data from January 1 to June 30, 2021.
- 4 Of Hosts who have self-identified their gender, and based on Airbnb data from January 1 to June 30, 2021.
- 5 According to a survey of 42,000 Airbnb Homes Hosts around the world who hosted a trip during 2020, from February 1, 2021 to March 3, 2021, with a maximum margin of error of 1.2 percentage points (depending on the question).




The Center for American Entrepreneurship (CAE) assisted in the establishment of the first bipartisan Senate Entrepreneurship Congress, which hosted the Women's Entrepreneurship Roundtable. Policy Director in Entrepreneurship Jason Wiens and President and CEO of the Kauffman Foundation Wendy Guillies attended the roundtable in September 2019. Photo courtesy of CAE.

America's New Business Plan expands what it means to be 'pro-business'

For policymakers who want to do something to help entrepreneurs, here's a roadmap to what they need, and it starts with opportunity, funding, knowledge, and support.

Written by Jason Wiens | October 15, 2019

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We have a bipartisan plan for policymakers that is focused on creating new jobs and leveling the playing field for startups and small businesses. #StartUsUpNow #AmericasNewBusinessPlan 

At the Kauffman Foundation, we've been listening to entrepreneurs.

<https://www.kauffman.org/currents/americas-new-business-plan-expands-what-it-means-to-be-pro-business/>

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We've been listening during **advocacy events** with grantees from entrepreneurship support organizations and the entrepreneurs they serve. We've been listening at the **ESHIP Summit** and the **Mayors Conference**. We listened to the thousands of entrepreneurs we surveyed last November. And together, we're learning what entrepreneurs need to turn their ideas into new businesses.

Last month, I got to listen to 22 women entrepreneurs share their challenges and successes with the **Senate Entrepreneurship Caucus at a roundtable event in Washington, D.C.** The founders were from every stage of startup and level of funding, across varied industries, with diverse backgrounds and experiences, and from all over the country. They illustrated what entrepreneurship looks like in America today.

But perhaps more importantly, the experiences, struggles, and worries these few entrepreneurs shared with policymakers reflected what the Kauffman Foundation has heard loud and clear as we've listened to entrepreneurs: Entrepreneurs need a level playing field and less red tape, equal access to the right kind of capital, the know-how to start a business, and the ability for all people to take risks.

These four themes – opportunity, funding, knowledge, and support – are at the heart of **America's New Business Plan**, a bipartisan roadmap for reducing barriers to entrepreneurship and spurring more startups across the country.



We have a bipartisan plan for policymakers that is focused on creating new jobs and leveling the playing field for startups and small businesses: **America's New Business Plan**.

Find out out how policymakers – at every level – can champion entrepreneurs:

Federal >

State >

Local >

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America's New Business Plan expands what it means to be 'pro-business' – Ewing Marion Kauffman Foundation | [kauffman.org](https://www.kauffman.org)



Roundtable, hosted by bipartisan Senate Entrepreneurship Caucus in Washington, D.C., September 2019. Photo courtesy of Center for American Entrepreneurship

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What it means to be 'pro-business'

For too long and for too many policymakers, being "pro-business" has come to represent favoring big business. When government acts to help American businesses, support is heavily skewed toward established businesses – not scrappy and striving new business owners and entrepreneurs. This is despite of the fact that **new businesses created by entrepreneurs are the primary source of almost all net new jobs**.

Enough.

We need to reframe what it means to be pro-business. And that starts with policymakers of all levels listening to entrepreneurs.

<https://www.kauffman.org/currents/americas-new-business-plan-expands-what-it-means-to-be-pro-business/>

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Every business started with an entrepreneur. Yet policymakers tend not to hear from new and small business owners. Instead, established and large firms command their attention, shaping a narrative about business needs and what makes a strong economy. While barriers faced by established and big businesses may at times be similar to the barriers entrepreneurs face, entrepreneurs have unique barriers at the outset to start and grow – hurdles that established businesses have already crossed.

This is why hearing the voices of entrepreneurs is so important. The conversation at the roundtable gave us glimpses, not only of the entrepreneurial journey of those in the room, but of all the unseen entrepreneurs toiling away in obscurity right now. Their stories, that policymakers might not otherwise see, were lifted up.

Most Americans wouldn't know the names of the entrepreneurs in that room on Capitol Hill or recognize their businesses (yet), but they're creating new things, taking risks, and employing people. They're adding value to their communities and to the economy.

Being pro-business should be about leveling the playing field so that those 22 women entrepreneurs, and untold and unnamed others like them, have an opportunity for their new ideas to take root and a chance to compete.



*Twenty-two women entrepreneurs traveled to Washington, D.C., to discuss the issues and challenges that confront women entrepreneurs in America with the Senate Entrepreneurship Congress. Photo courtesy of **Center for American Entrepreneurship**.*

What we stand to lose gain

America's New Business Plan expands the view of what it means to be pro-business; equating it to being pro-opportunity.

The values held in America's New Business Plan are essential for creating economic growth that works for everyone. Without it, we stand to lose a lot – not just for entrepreneurs or the Americans who would have been entrepreneurs, but for the people who would've worked at those businesses and the communities in which those businesses would have been started.

But rather than focusing on what would be lost, policymakers should think of what can be gained: jobs; revitalization; new inventions, products, and services; individual purpose and fulfillment; vibrancy; economic competitiveness; new wealth.

Policymakers must see the economy not as a giant, robotic system, but a collection of millions of individuals making their own choices. Economic policy must serve the people who make up the economy. For policymakers who want to do something to help entrepreneurs, America's New Business Plan can be a roadmap to expand access to entrepreneurship.

[Learn more about America's New Business Plan and the Start Us Up coalition >](#)

WRITTEN BY JASON WIENS

Policy Director in Entrepreneurship
Kauffman Foundation

NEXT

EDUCATION THAT WORKS

Would school look different if I had a teacher that looked like me?

October 10, 2019

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