

SOCIETY

Wasted Money

"The Perverse Effects of SBA Loans to Minority Wholesalers" by Timothy Bates and Alfred E. Osborne, Jr., in *Urban Affairs Quarterly* (Sept. 1979), 275 South Beverly Dr., Beverly Hills, Calif. 90212.

The "relaxed eligibility criteria" used by the U.S. Small Business Administration (SBA) to award loans and loan guarantees to minority businessmen may actually discriminate against the black entrepreneurs who have the best chances of success, argue Bates, an economist at the University of Vermont, and Osborne, professor of management at UCLA.

To promote inner-city business development, the SBA is willing to assume a greater risk on loans to blacks than to whites; i.e., a black firm with small net worth is eligible for a larger SBA loan than a comparable white business. However, in an analysis of SBA loans awarded to white and black wholesalers in 1968-70, the authors found that the agency relied on very different factors to gauge the individual business's ability to repay. A healthy cash flow, say the authors, was the primary basis for determining the amount of money lent to a white wholesaler. "Perhaps expecting failure," the SBA evaluated black wholesalers' ability to repay, however, by the amount of collateral put up; a strong cash flow was a secondary consideration.

The result, say the authors, is that a weak, poorly capitalized black wholesaler may receive preferential treatment from the SBA; a stronger and potentially more profitable black wholesaler with a healthy cash flow but not much collateral receives a smaller loan than his white counterpart. Ironically, this well-intentioned lending philosophy may be "simultaneously decreasing the availability of loan funds for viable, expanding [black] firms" in the inner city and "increasing the overall incidence of default on loans of black business borrowers."

*Teachers Get
Low Marks*

"In Search of Quality: The Need for Talent in Teaching" by W. Timothy Weaver, in *Phi Delta Kappan* (Sept. 1979), Phi Delta Kappan, Inc., Eighth and Union, Box 789, Bloomington, Ind. 47402.

A declining U.S. birth rate and a tight job market for teachers have forced schools of education to lower admissions standards to stay in business. As a result, less-talented students are being trained as teachers, while brighter ones enter fields with more promising employment prospects (e.g., business and engineering).

Among graduating college seniors in 1976, education majors had scored 46 points below average on the verbal portion of the Scholastic Aptitude Test (taken before entering college) and 52 points below average on the math. Weaver, an associate professor of education at Boston University, also reports that the mean 1976 grade point average for seniors majoring in education was 2.72; the average for all majors was