



FINANCIAL SERVICES INNOVATION COALITION



MODERN ECONOMIC JOURNAL

Published:
November Edition 16

Policy For Good

Financial Services Innovation Coalition's (FSIC) Modern Economic Journal focuses on the policy changes that can ensure all communities have a chance to thrive in the modern economy

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Letter from the Editor in Chief

Neutrality Is Not Fairness

By: *Kevin B. Kimble, Esq. Editor in Chief*
November 2025



The debate over fairness in the marketplace has reached a breaking point.

Federal policy has shifted sharply away from group-based equity frameworks, leaving thousands of small businesses uncertain about their future. The systems, once designed to track participation, enforce accountability, and correct historical imbalance, are being dismantled in the name of neutrality.

What's left is a contracting landscape where the most resilient firms are forced to start over and the most dominant players face fewer checks than ever. The consequences are already measurable: fewer bids, higher concentration, and entire communities cut out of opportunity. Reform was needed, but erasure is something else entirely.

This month's pieces explore that fallout from multiple vantage points: the dismantling of long-standing business programs, the operational chaos that followed, and the deeper question of how markets and rules sustain each other. Together, they paint a clear picture: when oversight disappears, exclusion fills the gap.

Markets thrive on competition. Competition depends on access. Access requires systems that recognize where barriers still exist. When those systems vanish, small firms lose not because they lack capacity, but because the field itself tilts out of reach.

The path forward demands more than outrage, it requires design. A new balance must be struck between opportunity and accountability, one that values both performance and fairness. If policymakers and business leaders fail to rebuild that balance, they risk not just further market distortion, but a loss of public trust in the very idea of equal opportunity.

A Bank Bailout by Another Name Hurts Minority Entrepreneurs

By: Kevin B. Kimble, Esq., Editor in Chief
November 2025



For years, I've worked to expand economic opportunity and financial inclusion for communities that have been historically locked out of the American financial system. So, when I see legislation that claims to help Main Street but would actually hammer minority small business owners and aspiring entrepreneurs, I must speak up.

The so-called "Main Street Depositor Protection Act" is a wolf in sheep's clothing. Despite its populist branding, this bill would raise deposit insurance limits from \$250,000 to \$10 million. That policy would benefit massive regional banks and wealthy corporate depositors while making life harder for the very communities struggling most to access credit and build wealth.

This bill must be considered within the context of minority entrepreneurship in America. Black business owners face loan rejection at twice the rate as their white counterparts. Latino entrepreneurs struggle with similar barriers. Even when minority-owned businesses secure loans, they often pay higher interest rates for less capital.

Instead of addressing these disparities, this proposal will make them worse. When banks face higher deposit insurance premiums triggered by this massive expansion, they don't absorb those costs. They pass them along to customers. That means higher fees on checking accounts, higher interest rates on business loans, and lower returns on savings. For minority entrepreneurs already paying more for financial services, this is a kick while they're down.

The lending impact is even more troubling. When banks face increased costs, they have less capital available to lend. And when credit tightens, who gets squeezed out first? Not the established businesses with long banking relationships and solid collateral. It's the first-time entrepreneurs, the immigrant business owners, the Black and Latino families, trying to turn their side hustle into a full-time business. The multiplier effect on lending means a hit to bank capital translates into far less money flowing to communities that desperately need investment.

Consider what minority entrepreneurs actually need: a food truck operator trying to expand to a brick-and-mortar location, a hair salon owner purchasing equipment, a tech startup founder covering initial operating expenses. None of them have \$10 million sitting in a transaction account. The median Black-owned business has less than \$50,000 in total receipts.

So, who benefits? Wealthy corporate depositors who have millions to park in non-interest-bearing accounts and massive regional banks, including institutions with over half a trillion dollars in assets. The bill was recently expanded to cover nearly every bank in the country except the absolute largest. These aren't the community development financial institutions and minority-owned banks that actually serve our communities. These are financial giants that don't need another subsidy.



The moral hazard here is staggering. By dramatically expanding federal insurance, we're creating a system where big banks and wealthy depositors can take bigger risks, knowing taxpayers will bail them out if things go south. We saw this movie in 2008, and minority communities paid the steepest price. Black household wealth dropped by over 50% during the financial crisis. Latino families lost 44% of their wealth. When the financial system implodes, Wall Street gets rescued and our communities get foreclosure notices.

As Democrats, we should be appalled that our party would back legislation that puts working families—disproportionately families of color—on the hook for subsidizing wealthy depositors and massive banks. The Democratic Party must stand against exactly this kind of rigged system that will make inequality worse?



Federal deposit insurance was created to protect ordinary Americans from losing their savings, not to subsidize the wealthy and eliminate market discipline. Right now, fewer than one percent of accounts exceed the current \$250,000 limit. We need policies that expand access to affordable credit, support minority-owned banks and CDFIs, provide technical assistance to new entrepreneurs, and invest in communities that have been systematically denied capital for generations.

What we don't need is legislation that raises costs for everyone while benefiting the wealthiest depositors and biggest banks. We don't need to create conditions for another bailout where taxpayers foot the bill for Wall Street's failures.

This bill claims to protect Main Street, but real Main Street—the Black barber shop, the Latino grocery store, the immigrant-owned restaurant—doesn't have \$10 million in the bank. They have determination, talent, and dreams. What they need is a financial system that works for them, not one that extracts more from them to subsidize the already wealthy.

Congress should kill this bill and start over with legislation that actually promotes economic opportunity, financial inclusion, and shared prosperity—not another backdoor bailout for the powerful dressed up as populism.



Markets Need Rules, Rules Need Markets

By: Michael Flores, President and CEO, Bretton Woods, Inc.
November 2025

The political debate over economic systems often defaults to false binaries: capitalism versus socialism, free markets versus central planning. These caricatures obscure the real challenge of governance in the 21st century: not choosing one extreme over the other, but crafting a balance that preserves market dynamism while ensuring social stability.

The Illusion of Control

Centralized economies promise equality and predictability, but in practice, they deliver stagnation and repression. The collapse of the Soviet Union was less an ideological failure than a practical one: without price signals, innovation falters and resources are misallocated. Today, even China, once the poster child for state direction, has embraced private enterprise as the engine of growth, though still tightly managed from above.



The Illusion of Freedom

Yet laissez-faire capitalism has its flaws. Markets, left entirely to themselves, can lead to monopolies, financial crises, and stark inequality. The Great Depression, the savings and loan crisis, and the 2008 collapse all demonstrate what happens when financial excesses surpass regulatory oversight. Economic “freedom” without safeguards often results in political backlash and institutional reform, sometimes too late.

Why the Middle Matters

The lesson is not that one model is “right,” but that durable prosperity requires synthesis. Regulations should be adaptive and transparent, targeting systemic risk without strangling innovation. Social policies should cushion disruption while preserving incentives for work and mobility. Markets should remain open and competitive, guided by rules that prevent capture by entrenched interests.

This is not a compromise for compromise’s sake; it is the only way to secure legitimacy. A system that creates wealth but leaves the majority behind will collapse under its own inequities. A system that equalizes outcomes by stifling enterprise will collapse under its own inefficiencies. The optimal path is neither command nor chaos, but a disciplined pluralism.

A Political Imperative

The United States and democracies more broadly face a moment when this balance must be recalibrated. AI, climate change, demographic decline, and global capital flows will test the resilience of current frameworks. Policymakers who cling to ideological purity, whether in the name of deregulation or state control, will fail to prepare their societies for these shocks.

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Public Contracting Hijacked: How the 2025 DBE rule is shutting out small businesses and rigging the system

By: R. Lynn Pingol, CEO, Makee Company
November 2025

The U.S. Department of Transportation's 2025 Interim Final Rule (IFR) dismantled the longstanding certification framework for Disadvantaged Business Enterprises (DBEs), eliminating the presumption of disadvantage and replacing it with a burdensome, subjective recertification process. Over 41,000 firms were decertified nationwide, triggering a collapse in small-business participation and a pause in DBE goal-setting across multiple states. This article examines the operational chaos caused by the IFR's lack of standardized evaluation criteria, the measurable economic harm to firms and communities, and the antitrust risks posed by increasing market concentration. Drawing on examples from Minnesota, Arizona, Illinois, and Texas, the analysis reveals how the rule has destabilized procurement ecosystems and concentrated power among dominant incumbents. It critiques the administration's failure to anticipate these consequences, its disregard for stakeholder input, and its neglect of economic impact analysis. The article concludes with seven urgent reforms, including census-based goals, contract rotation, and transparency mandates, to restore competitiveness and integrity in public contracting. If the administration fails to act, it will bear responsibility for deepening exclusion, inflating costs, and eroding public trust in the fairness of government spending.



The Procurement Lifeline Cut: Why This Rule Changes Everything

Public contracting is one of the most powerful economic engines in the United States. Through programs like DBE, small businesses historically excluded from public markets gained access to federally funded infrastructure projects, creating jobs, building capacity, and reinvesting in local economies. The 2025 IFR abruptly severs that lifeline. By removing the presumption of disadvantage based on race or gender, the rule forces every DBE applicant to prove hardship through a subjective and burdensome process. The result? Over 41,000 firms decertified, goal-setting paused in multiple states, and a procurement system increasingly closed to new entrants.



The administration's decision to issue the IFR without public comment, stakeholder consultation, or a transition plan reflects a troubling disregard for the operational realities of small business participation. Agencies were left scrambling, and thousands of firms were blindsided, stripped of certification overnight with no recourse or guidance.

Certification Chaos: A Subjective Maze with No Map

The IFR requires DBE applicants to submit personal narratives detailing identity-based bias and financial documentation proving economic hardship. Yet the rule provides no standardized rubric or scoring system. Certification agencies must interpret each submission on a case-by-case basis, leading to wildly inconsistent outcomes. In Minnesota, MnDOT decertified over 1,300 firms and suspended DBE goal setting to avoid federal funding risk. In California, certifiers

reported a backlog of over 900 applications within the first month, with no clear guidance on adjudicating narratives that vary widely in tone, content, and supporting documentation.

Some applicants have been repeatedly rejected for failing to demonstrate "chronic" disadvantage, while others are approved with similar documentation. Small firms without legal or administrative support are disproportionately affected, and many have opted not to reapply at all. The administration's failure to provide uniform guidance or invest in certification infrastructure has exacerbated the chaos. The result is a system that is opaque, invasive, and unscalable, one that punishes small business resilience rather than rewarding it.

Billions Lost: The Economic Fallout of Decertification

The economic fallout is immediate and measurable. DBEs have historically captured 10–15% of federally funded transportation contracts. With \$80 billion allocated in 2024 alone, the drop in participation to under 2% in several states means over \$6.5 billion in lost contracts annually. And that's just the direct impact. According to the National Bureau of Economic Research, every \$1 awarded to a small business generates up to \$1.80 in local economic activity. That translates to nearly \$12

billion in lost community wealth each year, jobs not created, storefronts shuttered, and local economies hollowed out.

In Arizona, the decertification of a Navajo-owned civil engineering firm led to the cancellation of three active contracts and the loss of 28 jobs across tribal and rural communities. In Illinois, a Latina-owned electrical contracting firm that had successfully completed over 40 public infrastructure projects was disqualified from bidding on a \$3.2 million transit station upgrade due to the sudden loss of DBE status. These firms had built reputations for reliability and cost-efficiency yet were sidelined overnight by a rule that failed to account for their proven performance. The administration's failure to conduct an economic impact analysis before issuing the IFR is a critical oversight. The rule was implemented without regard for the downstream effects on employment, local investment, or community stability. The resulting exclusion of DBEs from procurement pipelines has not only harmed individual firms but also disrupted project delivery timelines and increased administrative burdens for prime contractors seeking to meet diversity goals.

Monopoly by Design: Antitrust Red Flags and the Myth of Cost Savings

One of the most persistent, and misleading, narratives used to justify the rollback of DBE goals is the claim that such programs increase taxpayer costs.

Critics argue that setting aside contracts for small or disadvantaged firms limits competition and leads to higher bids. However, empirical data tells a different story.

A 2023 Brookings Institution analysis found that DBE participation in public infrastructure projects had no statistically significant effect on overall project costs when controlling for project size, complexity, and location. In fact, projects with robust DBE participation were more likely to be completed on time and within budget due to the agility and specialization of small firms.

Conversely, the removal of DBE goals has led to alarming levels of market concentration. In Texas, 87% of highway contracts post-IFR were awarded to just SIX firms. This level of dominance is a textbook antitrust concern. The Department of Justice's Procurement Collusion Strike Force warns that reduced competition increases the risk of bid-rigging, price inflation, and market allocation schemes. Without DBEs and small firms in the mix, procurement becomes a closed loop, favoring incumbents, inflating costs, and stifling innovation.

In Minnesota, a single general contractor received over 40% of all state-awarded.

transportation contracts in Q4 2025, up from 18% the previous year. The absence of contract rotation mechanisms has allowed dominant firms to entrench themselves, discouraging new entrants and reinforcing structural exclusion.

This administration's silence on these antitrust risks is deeply concerning. No safeguards were introduced to prevent market consolidation, and no oversight mechanisms were proposed to monitor procurement fairness post-IFR.

Fix the System: Seven Urgent Reforms to Reopen Public Contracting

To reverse the damage and restore integrity, the following reforms are essential:

- 1. Reinstate DBE Goals with Race-Neutral, Economically Grounded Criteria**
Use net worth, income, and business size to determine eligibility, preserving access while aligning with legal standards. This ensures that firms facing structural barriers continue to have a pathway into public markets.
- 2. Enforce Contract Rotation**
Cap any single firm's share of contracts at 20% over a rolling three-year period to prevent monopolistic entrenchment. Rotation requirements ensure that no single entity dominates the market and that new and emerging firms have a fair opportunity to compete.
- 3. Implement Census-Based Participation Goals**
Establish DBE participation benchmarks that reflect the actual availability of disadvantaged firms in the relevant geographic and industry-specific marketplace. Using U.S. Census Bureau data and local availability studies, agencies can set goals that are both data-driven and legally defensible. This approach ensures that goals are tailored to regional demographics and economic conditions, preventing both underutilization and overconcentration.
- 4. Guarantee a Small Business Set-Aside Floor**
Reserve at least 25% of public contracts for small businesses, including DBEs, to ensure baseline participation. This floor should be non-negotiable and enforced across all agencies receiving federal infrastructure funds.
- 5. Publish Real-Time Contracting Dashboards**
Require agencies to disclose who gets what, how often, and at what price, bringing transparency to the forefront. Dashboards should include subcontractor data, change orders, and payment timelines to allow for public oversight and policy evaluation.
- 6. Reward Local Hiring and Community Reinvestment**
Incentivize firms that hire locally, mentor emerging businesses, and reinvest profits in underserved areas. These incentives should be embedded in RFP scoring criteria and tied to measurable outcomes.
- 7. Establish a Federal DBE Ombudsman Office**
Create a centralized body to oversee certification consistency, resolve disputes, and support applicants. This office should also monitor state-level implementation of the IFR and ensure that certification decisions are not arbitrary or discriminatory.

Public Dollars Must Serve the Public

The 2025 IFR has turned public contracting into a high-stakes game of exclusion. It has stripped thousands of businesses of opportunity, destabilized local economies, and concentrated power among a handful of dominant firms. This is not reform, it's regression. If left unaddressed, the rule will continue to erode competition, transparency, and public trust.



The administration's failure to anticipate these consequences, engage stakeholders, or provide implementation support reflects a broader pattern of regulatory detachment from real-world economic conditions. Public contracting must be governed by principles of fairness, competition, and accountability, not by unilateral rulemaking that rewards incumbency and punishes small business resilience.

Restoring access requires bold, structural reform. The seven recommendations outlined here, including census-based goals, contract rotation, and transparency mandates, offer a roadmap for rebuilding a procurement system that is competitive, data-driven, and open to all qualified businesses.

If this administration refuses to implement these solutions, it will bear responsibility for deepening economic exclusion, accelerating market consolidation, and undermining the integrity of public spending. The cost will not be measured only in lost contracts, but in lost jobs, stalled projects, and the erosion of public confidence in government itself. The damage will be systemic, and the legacy will be one of preventable harm.

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The End of DBE: How the DOT Just Erased Decades of Equity Policy

By Martin S. Mason, Co-Chair, FSIC New Jersey Policy Initiative
October 2025

With one ruling, the U.S. Department of Transportation has abolished all race- and gender-based business designations, a decision that could soon redefine government contracting nationwide.

On October 3, 2025, the U.S. Department of Transportation (DOT) implemented a sweeping rule that abolishes every race- and gender-based designation in its Disadvantaged Business Enterprise (DBE) and Airport Concessions DBE (ACDBE) programs. The change eliminates categories such as Women Business Enterprise and Black-, Hispanic-, or Asian-owned certifications, forcing each applicant to prove “individual disadvantage” from scratch, a dramatic reversal of decades of equity-based contracting policy.



Under the new framework, every business owner must now demonstrate personal social and economic hardship to qualify. The group-based presumptions that once acknowledged, systemic barriers have been erased, ending the federal government’s recognition of collective disadvantage in transportation-related contracting.

While this ruling currently applies only to the DOT, its legal and political reasoning will almost certainly extend across other federal agencies. Programs designed to expand access for underrepresented entrepreneurs have long been anemic and largely ineffective. Now, instead of being strengthened or reformed, they are being abolished outright.

That shift leaves disadvantaged businesses in an even more precarious position. Without the framework of DBE goals and tracking requirements, the ability to hold institutions accountable disappears. The entire structure, from data collection to certification oversight, is being dismantled at once.

Once the precedent is set at the federal level, the private sector will follow. Supplier-diversity and inclusion policies that once opened doors for minority and women-owned firms are already being rewritten or quietly retired. What began with the defunding of Diversity, Equity, and Inclusion (DEI) initiatives is now formalized in public policy: the removal of race and gender from economic consideration.

DEI and DBE programs were not only symbolic gestures of inclusion; they were also record-keeping systems. They required agencies and corporations to track participation, measure disparities, and document outcomes. With those systems dismantled, the data disappears, and without data, there is no proof, no way to show where and how inequities persist, and no evidence to hold anyone accountable. So good luck to any firm trying to prove discrimination in a system that no longer keeps score.

That loss removes the very protections that once made justice possible. Any business that faces discrimination must now fight alone, in a system that has erased the information needed to defend them.

For years, advocates have pointed to evidence of systemic failure within government contracting. In New Jersey, for instance, African Americans represent roughly 10 percent of qualified eligible businesses but have received only 0.14 percent of public contract awards. Minorities collectively

make up nearly 40 percent of the state's tax base, yet receive only about 3 percent of public contract dollars.

Those figures were not simply statistics; they were warnings. Had policymakers treated them with urgency, meaningful reforms might have followed. Instead, the neglect signaled a more profound indifference, a willingness to allow inequity to persist while preparing for a future in which even the acknowledgment of race or gender disadvantage would be legally impermissible. That neglect, as I've often said, was the canary in the coal mine for the sweeping rollback we see today.



The elimination of group-based designations has created confusion and uncertainty for thousands of small firms that relied on DBE certification for access to federally funded contracts. State agencies participating in the Unified Certification Program must now reevaluate every existing DBE and ACDBE firm, requiring each to submit new evidence of disadvantage. Firms that cannot meet the new individualized standard will be decertified, with no right to a hearing before removal. This framework substitutes bureaucratic subjectivity for measurable equity. Instead of fixing an underperforming

Now, even the ability to prove discrimination has been stripped away. The protections are gone, the data is gone, and every business is on its own.

The FSIC New Jersey Policy Initiative is organizing community briefings to help affected businesses navigate this transition, share information on local contracting opportunities, and coordinate advocacy before the state's gubernatorial election in November. The goal is to convert frustration into collective action. This isn't just a Black issue or a women's issue. When you dismantle equity frameworks, it hurts every small business that depends on fairness in public spending. We're not giving up, we're reorganizing.

The DOT's decision marks more than a procedural change; it reflects a profound shift in how the federal government defines fairness. If unchallenged, the rollback will move beyond transportation, reshaping economic opportunity itself. What began as targeted remedies for systemic exclusion are being replaced with a case-by-case hardship test, a model that denies the collective reality of discrimination in favor of isolated narratives of struggle.



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The question is no longer whether inequity exists, but whether the nation still intends to measure it. If no one keeps score, injustice always wins.

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