

NATIONAL BLACK BUSINESS MONTH

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March 6, 2020

The Honorable Jerome Powell
Chair
Board of Governors
Federal Reserve
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Chair Powell,

The Governors decision to reduce the federal funds rate by a half percentage point demonstrates the historic role of the central bank to preserve liquidity and confidence in the financial system.

As co-founder of National Black Business Month, I have examined the way in which that liquidity and confidence has extended into African-American communities over the past 14 years. Going back to 1978, I was the first journalist to report on HMDA data and covered the Congressional deliberations for the Community Reinvestment Act.

In general, we have found that the compliance model of the past four decades fails to achieve the objectives of the legislation or the Humphrey-Hawkins Act.

The Fed's own research has shown the devastating impact of the Great Recession on African-American neighborhoods, which has not been abated a decade later.

Now, like a second hurricane hitting Puerto Rico, the global economy faces new stresses. The central bank should learn from history and not ignore the structural racism which has been allowed to grow through government policy.

As you may know, the Constitutional guarantee of public debt and the issuance of national currency are a byproduct of emancipation and, specifically the 14th Amendment. Without the sacrifice of the hundreds of thousands of African-American troops that decided the Civil War and even

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more thousands who voted to create new state constitutions, your most important authorities would not exist.

In the century and a half since, the benefits of this modern form of commerce have not accrued to the freedmen and their descendants.

Yesterday, the International Monetary Fund made a facility available to the lowest income nations to assure that they could cope with the impact of the COVID19 pandemic.

Because of lower wages, a paucity of household wealth and the deindustrialization of their communities, the African-American population in the United States faces the same danger. One of the legacies of the last recession is a higher than average rate of homelessness among blacks in every major city in the country. That is combined with lower rates of insurance, particularly in Southern states where Medicaid extension has been opposed.

Just a few cases in selected neighborhoods, particularly in the 18 metropolitan areas with more than 1 million black population or in the 105 majority black counties of the Black Belt, could extend misery in ways not seen since the 1930s.

You have the same mandate to act quickly to insure liquidity and confidence for this community, which has been excluded from the overall economy.

My recommendations, based on the 14 years of our State of Black Business report, are:

- 1) **SHORT TERM:** Convening a group of impact investors, pension funds and foundations to commit to \$500 million in emergency capital for African-American banks and insurers, which provide more than half of business and residential loans to this community.
- 2) **MEDIUM TERM:** Placing bond purchases with African-American investment banks
- 3) Seeking Congressional authority to extend as much as \$36 billion yearly in bond purchases for an African-American Development Bank, modeled on the successful institutions serving international development. In 2018, Congress created the International Development Finance Agency with \$60 billion in authority. No less an investment is needed in capital-starved black neighborhoods.

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- 4) LONG TERM: A study of the impact of the Federal Reserve's growth in assets over the past decade on the increase in income inequality with an analysis of how to insure that stimulus is widely spread throughout the economy.

On April 22, we discuss these issues in our annual Innovation&Equity19: 50 Most important African-Americans in Technology Symposium, which will now likely be a web conference. I invite you to join us remotely to hear directly from those who are hampered from creating jobs by the lack of credit and investment.

There is another opportunity on August 1 for the opening of the 17th annual National Black Business Month in Brooklyn, which we are making a demonstration site for our goal to reach ten percent of gross domestic product as the baseline for African-American aggregate income.

You may reach me at the address and phone number on the letterhead or directly at johnwtempleton@blackbusinessmonth.com

In hopes of your prompt reply,

John William Templeton

Co-Founder

cc: Frederick E. Jordan, P.E., Co-Founder

Robert Edmondson, Chief of Staff, Rep. Nancy Pelosi, D-CA

Lenwood Long, African-American CEOs of CDFIs